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Algeria	5,500 Dz. Israel	15,200 Norway	5,000
Austria	17,500 Italy	10,000 Spain	7,000
Bahrain	6,650 Dz. Jordan	4,500 Portugal	4,000
Belgium	33,870 Kenya	5,000 Greece	4,500
Canada	40,400 Kuwait	500 Fe. Saudi Arabia	4,000
Denmark	400 Dz. Lebanon	5,000 Spain	3,000
Egypt	100 Dz. Libya	12,000 Sweden	5,000
Finland	5,000 P.M. Pakistan	20,000 Switzerland	5,000
Germany	2,000 D.M. Morocco	25,000 Turkey	10,000
Greece	350 Dz. Morocco	5,000 U.A.E.	6,500
Iceland	45 Dz. Netherlands	2,250 U.S. M.I. (Ex-)	1,000
Iran	125 Dz. Nigeria	170 K. Yugoslavia	1,000

ESTABLISHED 18



President Reagan calls on a reporter at his news conference.

U.S. Force at Airport As Last Israelis Leave

By James F. Clary

New York Times Service

BEIRUT — The U.S. Marines assumed control of Beirut's international airport Wednesday, landing in helicopters minutes after the last Israeli soldiers had departed.

The Israeli reluctance to leave had delayed the marines' arrival by four days, but diplomatic pressure from the United States on the government of Prime Minister Menachem Begin finally achieved the withdrawal of the small Israeli unit.

Six hundred marines arrived Wednesday and 600 more are scheduled to land on a beach near the airport Thursday. They joined French and Italian soldiers as part of a force that is to help the Lebanese government of President Amin Gemayel ensure public safety and establish its sovereignty in the Beirut area.

A total of 482 French troops that had been serving with the United Nations peacekeeping force in southern Lebanon joined the 1,080 French soldiers and 1,170 Italians already in place.

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"No, we haven't solved 20 years of problems in our first 20 months in office," the president said in his opening remarks. "But we have made a beginning where others failed to act."

Asked whether he would accept any responsibility for the nation's economic woes, Mr. Reagan quipped, "Yes, because for many years I was a Democrat."

Mr. Reagan's contention that Democrats bear the responsibility for today's difficulties was rejected by the Speaker of the House of Representatives, Thomas P. O'Neill Jr. of Massachusetts.

"The failure of Mr. Reaganomics is an American tragedy," Mr. O'Neill said. "President Reagan cannot pass the buck."

He added: "If the president really cares about unemployment, he

(Continued on Page 2, Col. 5)

had helped stock prices. Page 13.

Reagan Will Hold To Policy Despite Jobless-Rate Rise

By Herbert H. Denton

Washington Post Service

WASHINGTON — President Ronald Reagan, asserting that Americans are "better off today than we were" because of his economic program, says he refuses to accept responsibility for rising unemployment and the recession, and he lays the blame on the Democrats.

In his 13th nationally televised news conference Tuesday, the president conceded that the unemployment rate may rise to a post-Depression high of 10 percent in next month's report, but he vowed not to change course in his economic policies.

Expressing empathy for the nearly 11 million people out of work, Mr. Reagan argued that nonetheless most Americans, even those on welfare, were benefiting from lower interest rates and lower inflation, which he said increased purchasing power.

The news conference came in the midst of the fall congressional campaign, and several of the questions dealt with the impact that Reagan economic policies might have on the elections.

But the president brushed aside responsibility for the nation's eco-

nomic troubles, urged voters "to cut through all the demagogery and rhetoric that they're going to hear," and declared that his administration had "pulled America back from the brink of disaster."

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(Continued on Page 2, Col. 5)

3 Schmidt Cabinet Members Assail Center-Right's Plans for Economy

Reuters

BONN — Chancellor Helmut Schmidt's cabinet attacked Wednesday the economic policies offered by a center-right alliance that hopes to take over the West German government on Friday.

The statements were in response to an agreement reached by the Christian Democratic Union, the Christian Social Union and the Free Democratic Party on Tuesday on a budget of tax increases, welfare cuts and business measures. They would be put into effect after Friday's vote in the Bundestag.

The Liberal Free Democrats' defection from Mr. Schmidt's coalition on Sept. 17 gave the three parties a majority in the Bundestag. Their agreement to form a coalition makes it likely that Helmut Kohl, the Christian Democratic leader, will be elected Friday as the new chancellor.

In a related development, Günter Verheugen, the interior and justice minister, described the section on home affairs and legal policy in the coalition agreement

as "an array of embarrassments and empty phrases."

Their attacks were echoed by West Germany's powerful labor union confederation, the DGB, which said Mr. Kohl's economic program was socially unbalanced and unacceptable. The DGB chairman, Ernst Breit, speaking in Wiesbaden, protested the center-right alliance's plans to legislate for tough pay controls on public employees.

Willy Brandt, the Social Democratic Party chairman and Mr. Schmidt's predecessor as chancellor, said the new coalition partners had ignored the will of 80 percent of the population by seeking to take power "through the back door" and not by election.

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Furious Soviet Reaction to Massacre May Reflect Its Impotence in Middle East

By Serge Schmemann
New York Times Service

MOSCOW — In the hue and cry over the massacre in Beirut's Palestinian camps, few voices have sounded as shrill and furious as Moscow's. In statements by Soviet leaders and in the press, the killings have been likened to the Holocaust, unborn generations of Israelis have been damned to suffer the scars of the heinous crime and Washington has been held to count as an accomplice.

In Western diplomats, however, the polemics during a rout of its Arab clients, in the diplomatic aftermath of the impudent Israeli side trip through the Soviet Embassy compound in West Beirut. President Leonid I. Brezhnev seemed capable of little more than reminders to Arab leaders of past Soviet support and of telegrams to the Palestine Liberation Organization chairman, Yasser Arafat, cautioning against U.S. moves.

To some Western diplomats, the sight of Russians sidesplitting in the Middle East conjured up images of an aged leadership, incapacitated by a stagnant economy at home and locked into bankrupt policies and extravagantly expensive ventures abroad, relegated to venting impotent

rage and poking through the rubble of Beirut for political advantage.

To scan the world from the vantage of the Kremlin battlements may seem unsettling. To the east, Japan continues to demand the return of the Ryukyu Islands and China pursues its opening to the West. Vietnam is costing millions to sustain and Cambodia remains unpacified.

In Afghanistan, 100,000 Soviet troops seem checked by

NEWS ANALYSIS

hands of mountain men. Moscow's former allies in Iraq are split with potential allies in Iran, and in the Middle East even the Syrians seem to put more stock in Washington's leverage than in their sworn Soviet friends.

The African allies gained through the 1970s — Ethiopia, Mozambique, Angola — seem to have evolved into unproductive drains on Soviet resources. And in the United States, a conservative administration has seemingly failed to follow the course toward accommodation with Moscow.

Perhaps the brightest spot on the Soviet horizon is Western Europe and its wrangles with Washington. But the view is somewhat marred by the economic chaos and continuing resistance in Poland, by the nagging inde-

pendence of the European communists and by the apparent awareness that in the end the Western alliance will probably survive internal arguments.

Western analysts who offer this bleak view of the Soviet position trace its development from the 1970s, when Russia pushed its military alliance with the West, the economy grew at a steady rate of 4 percent, the United States seemed shackled by the upheavals of Vietnam and Watergate, détente carried the promise of Western technology and respect, and Marxist ideology appeared to hold an irresistible allure for developing nations.

But an alarmed West began its own nuclear modernization programs in the late 1970s, the Soviet economy slowed by half. Western sanctions and the lessons of a bankrupt Poland dimmed the allure of détente, and the attractions of Soviet-style communism waned as a model of development among Third World nations.

The military intervention in Afghanistan in the last days of the 1970s seemed an appropriate conclusion to the decade, pointing to the need for force to prop up a Marxist regime and touching off an unusual outcry against the Soviet Union among what it had called its "natural allies in the Third World."

Western analysts who see a Soviet foreign policy in retreat usually note the added problems of an incipient

power struggle in the Kremlin, a process presumed to hinder development of new policies or the jettisoning of discredited presumptions.

But the Kremlin has a way of confounding Western analyses, and there is a parallel school of thought in Moscow not yet prepared to accept as fact the erosion of Soviet foreign policy.

Soviet impotence in the Middle East, people of this school contend, can also be viewed as calculated restraint based on recognition of the dangers of plunging into a losing fray and as a demonstration of the continued belief, which is shared by some Western diplomats here as well, that a solution to the Arab-Israeli feud must eventually include Moscow.

Reports that the Soviet Union has begun to replace arms lost by Syria suggest expectations of a continued influence, and the Arabs' call for United Nations Security Council guarantees for any future peace may be encouraging to the Russians.

Elsewhere, the Soviet view likewise may be less bleak than commonly presumed. The tentative exchanges of overtures with Beijing mark an advance over past tensions, and Moscow's grip on Indochina, while costly and incomplete, does not seem seriously challenged.

Trade with India is flourishing, and even in Afghanistan there is no hard evidence that the Russians are balk-

ing at the diplomatic or military cost of a long campaign.

There is every sign that the Russians were greatly relieved at being spared the need to intervene in Poland

and the limited popular response to Solidarity's calls for demonstrations last month.

In Europe, Soviet propagandists are vigorously pursuing their campaign to mobilize public opinion against deployment of new U.S. medium-range nuclear missiles and the Siberia-to-Europe natural gas pipeline is viewed as something of a triumph for the Russians.

On the front, analysts in Moscow share Washington's view of a nation exhausted by shortages and repression or paralyzed by a power struggle, but diplomats easily agree that Russians seem to have an immunity factor to tighten their belts ever further, and disarray caused by shortages of consumer goods or food have been known to extend much beyond localized grubstabs.

The Kremlin's perception of its standing in the world is difficult to glean because of the secrecy surrounding SoVIet leaders and because of propaganda. The one front where most analysts are confident here is that for all talk of shifting to a "Eurocentered" policy, the SovIet leaders seem constant in their assessment of Washington as the key to any real changes in the balance of power.

Sharon Links Killing of Gemayel to Syrians and Some Phalangists

By David K. Shipley
New York Times Service

TEL AVIV — Defense Minister Ariel Sharon said Wednesday that information obtained by Israel pointed to Syrian involvement in the assassination of Bashir Gemayel on Sept. 14, nine days before he is to be inaugurated as Lebanon's president.

On a French radio interview program recorded here, Mr. Sharon also said that local Lebanese apparently had a hand in the plot at the Phalangist Party headquarters in Beirut that killed Mr. Gemayel and a score of other Islamists.

Another Israeli source with connections in the military said the Syrians were believed to have been Phalangists who knew the layout of the building and had intricate details of Mr. Gemayel's schedule of meetings.

The huge explosive charge, apparently detonated by remote control, seemed to indicate that highly trained professionals were responsible, the Israeli said.

The assassination of Mr. Gemayel led to the entry of Israeli troops into West Beirut and then the massacre by Phalangist militiamen of hundreds of Palestinian men, women and children in two Beirut refugee camps.

"We do not know who killed Mr. Gemayel," Mr. Sharon said. "But as far as we know by now, it could be in a way connected with Syrians and some local Lebanese, but connected with the Syr-

iens. That's what we know by now."

Mr. Sharon found himself on the defensive about the massacre throughout much of the questioning, which was conducted by a panel of journalists. The program was scheduled for broadcast on the Europe One station Wednesday night.

The defense minister's appearance on the program caused considerable controversy in France, where Israel has been excoriated for its role in Lebanon. Some of the interviewers, mostly French editors and commentators, said they had been called by friends who asked how they could agree to see

2 Insurgents Die In Burma Attack

Reuters

RANGOON, Burma — Two insurgents were killed and three were captured Tuesday night when heavily armed secessionists attacked the main radio station and a police station here, Burma's state radio said Wednesday. Officials said 18 persons, including eight civilians, were wounded in the attack and a subsequent shoot-out between the rebels and security forces.

The officials identified one of the dead as the leader of the Karen National Union, Maung Ngwe Aung, who had been sentenced to death in 1977 for his part in a plot to kill several Burmese leaders.

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A Lebanese boy tries on a U.S. Marine helmet Wednesday as he greeted a member of the newly arrived peacekeeping force.

U.S. May Leave Agency Over Barring of Israel

The Associated Press

WASHINGTON — The State Department is going to consider withdrawing from the International Atomic Energy Agency because of the agency's suspension of Israel's credentials for this year's meeting, an official said Wednesday.

Mr. Sharon also said that he welcomed the investigation decided upon Tuesday by the cabinet, and at one point he seemed to hint that if the judicial commission of inquiry found him culpable he might resign.

"I hope that no one will be found guilty," he said, "but if anyone is found guilty, I will take upon myself the responsibility."

Prime Minister Menachem Begin was reported by Army Radio to have said that as prime minister he would shoulder whatever responsibility Israel should bear.

"We hope we do not overreact," L. Manning Muntzing told the committee. "Any action we take that makes more difficult the future work of the agency will, in my considered opinion, be at variance with our own interests."

Mr. Devine and Mr. Muntzing testified at a hearing on steps to stem the spread of nuclear weapons.

Allegation of Genocide

The 110-member agency voted 41-39 on Friday to bar Israel from the remainder of its meetings for "genocide perpetrated against the Palestinian people."

The U.S. delegation then walked out and announced that it would "reassess its policy regarding American participation in the IAEA and its activities" because the organization had become politicized.

Mr. Devine said the reassessment has begun. In addition to considering withdrawal, he said, the department would study other actions, including reducing its financial support.

Mr. Muntzing said a cutoff of U.S. funds in 1983 "would cripple IAEA in its work as the official monitor of the nuclear nonproliferation treaty."

"The chances of developing any alternate for that role are now nil," Mr. Muntzing said.

No Alternative Seen

In questioning by committee members, Mr. Devine agreed that the agency's safeguards were "absolutely critical" that it would be a "total disaster for our nonproliferation policy" if they were dismantled and that he saw no realistic alternative to them.

But, he said, "We hope that the actions we took and the will be taking in the days and weeks ahead will send a signal to those who wish to politicize the agency."

Mr. Devine said the United

States would consider reducing its participation in meetings sponsored by the agency and "what actions might be taken against those specific members responsible for what happened last week."

The resolution expelling Israel was introduced by 12 Arab and African countries and was opposed by France, West Germany, Britain, Sweden and other industrialized Western nations.

Mr. Devine said the United States would scale down its participation in agency activities while the reassessment was under way.

But Mr. Ghali made clear there was a significant difference between the Egyptian and U.S. positions.

Mr. Reagan said that he could not support an independent Palestinian state, while Mr. Ghali said that "ultimately it is inevitable" that the Palestinians should have the right to create their own state.

Israel has turned down the president's plan, and Mr. Ghali urged it to drop its "rejectionist attitude."

There was a touch of irony in this phrase. Countries like Algeria,

which have been instructed by the 10 members of the European Community to meet on Friday with Farouk K. Ghali, the foreign affairs director of the PLO.

Like other Arab speakers, Mr. Ghali criticized Israel for its sacrifice by Lebanese rightists of hundreds of Palestinian refugees in West Beirut camps. "Israel disdained its pledges," he said, "unleashing its henchmen, murderers and assassins to butcher children, babies, women and elderly men under the protection of an occupation army."

Egyptian, at UN, Urges the U.S. To Press Israel to Leave Lebanon

By Bernard D. Nossiter
New York Times Service

UNITED NATIONS, New York

— Egypt, the one Arab nation formally at peace with Israel, has urged the United States to press Israel to withdraw from Lebanon.

Butros G. Ghali, Egypt's minister of state for foreign affairs, said Tuesday in a speech to the UN General Assembly that Israel's continued presence was an illustration of the "arrogance of power" and would "intensify the waste and destruction" in Lebanon.

"We urge the U.S., the superpower which is providing Israel with the wherewithal of power and the means of life, to promptly restrain Israel as President Eisenhower did in 1957," the Egyptian official said.

He was alluding to a time when Dwight D. Eisenhower persuaded Israel to abandon the Egyptian territory it had seized after its 1956 assault with France and Britain on the Suez Canal.

Mr. Ghali's message, noteworthy chiefly because it was delivered publicly, echoed pleas that Cairo has addressed in private to Washington.

While all foreign forces should leave Lebanon, Mr. Ghali said, Israel must go unconditionally. Israel has insisted that it will pull out its troops only when the Syrian and Palestine Liberation Organization forces withdraw.

Mr. Ghali repeatedly stressed the importance of the U.S. role. He described President Ronald Reagan's Middle East proposal as the "foremost positive development" in the area, saying it contained "many positive elements." The Egyptian official said this was one more reason why "the U.S. is urged to take a firmer stand."

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The PLO's growing diplomatic stature was indicated by the foreign minister of Denmark, Uffe Ellemann-Jensen. He said he had

WORLD BRIEFS

Pym Seeks Full Truce on Falklands

UNITED NATIONS, New York — Foreign Secretary Francis Pym of Britain, in an address Wednesday to the General Assembly, called Argentina to prove it had renounced the use of force over the Falkland Islands and to demonstrate respect for the inhabitants' right of self-determination.

Referring to Argentina's seizure of the islands from Britain last spring, he declared: "Why, even now, has Argentina not accepted the definitive cessation of the hostilities which she so mistakenly initiated? Is it not for Argentina to demonstrate respect for the right to self-determination, including the right of the Falklanders?"

He said that throughout the campaign to retake the Falklands, Britain took great care to act within the UN Charter. He added, "By liberating the people of the Falkland Islands from alien domination, we are all standing up for the right of a small but authentic people to determine how they should be governed and how they should live."

Argentine Army Retires 9 Generals

Buenos Aires — The army changed its top command Wednesday sending nine brigadier generals into retirement after an investigation into the service's performance in the Falklands war.

Those retired included Alfredo Saint Jean, who was interior minister during the conflict with Britain. The army announcement did not mention four generals who commanded Argentina's troops on the islands, which Argentina claims and calls the Malvinas. The generals are Mario Benjamin Montañez, who was military governor during the 74-day occupation, Omar Parada, Oscar Jofre and Américo Daher.

All four last week asked for retirement to protest their exclusion from a commission studying the army's performance in the war, which began April 2. Britain regained control of the islands on June 14.

[Related story, Page 3.]

Thatcher and Gandhi

Argentine Military, Weakened, Is Now Criticized Publicly

By Jackson Diehl
Washington Post Service

For First Time, Many Are Speaking Out on Abductions

BUENOS AIRES — The reopening of investigations into two alleged political assassinations has led to an public outpouring of accusations and criticism against Argentina's military forces for the violent campaign against its opponents in the 1970s.

In what appears to be the beginning of a long-delayed national debate over the military government's activities, several former public officials have spoken out on the cases of two Argentine diplomats who were abducted in separate incidents while working for the government. Family members and human rights groups have linked military forces to both cases.

The accusations and the publicity have prompted a federal judge to reopen the case of Elena Holmberg, a former official of the Argentine Embassy in Paris, whose body was found in a river near Buenos Aires in December 1978.

It has also been reported that a federal judge is reviewing the

case of a former ambassador to Venezuela, Hector Hidalgo Sola, who was abducted in 1977 in Buenos Aires. Mr. Sola is presumed dead, although his body has not been found.

Both cases have been investigated previously, but the new inquiries have caused widespread controversy and the first public airing in Argentina of evidence said to link the military to political assassinations and "disappearances."

Describing Prison

Newspapers have begun describing secret prisons used by the military and have named several officers said to have been involved in assassinations. Family members, politicians and journalists have also strongly renewed calls for investigations of other disappearances unreported since the 1970s.

After three weeks of such outcries, the ruling military junta has reacted by prohibiting state-controlled television and radio stations from broadcasting

the outburst of discussion of the estimated 6,000 to 15,000 disappearances in Argentina since the 1976 military coup is regarded by both government and political leaders as crucial to the fate of the government and its plans to return Argentina to some form of democracy by early 1984.

While the armed forces remain politically divided, they are nearly unanimous in a determination to avoid investigations of their actions against leftist guerrillas and other activists from 1976 to 1979, according to a variety of sources. Military officials have said they are preparing an amnesty law that would

further reports of the Holmberg and Sola cases or of disappearances in general.

In a signal of the armed forces' concern over their weakened political position, the edict Friday also banned discussion of other recent allegations of government corruption and criticism of the military invasion of the Falkland Islands in April.

The new furor has been encouraged by the public statements of former high military government officials. So far, the military man most threatened by the controversy is a former Navy commander-in-chief, Emilio Massera, a member of the first junta following the military takeover.

Admiral Massera and the naval security forces he managed have been linked to both the Holmberg and Sola cases by several former government officials, and human rights groups have provided the investigating courts with corroborative testimony by survivors of a clandestine prison operated during Admiral Massera's command at the Naval Mechanics School in Buenos Aires.

BRUSSELS — West European diplomats hope that the NATO foreign ministers, who are meeting informally in Quebec this weekend, will probe deeply into the cracks within the alliance that have been caused by differences over relations with the Soviet Union.

The diplomats said they would be very disappointed if the serious trans-Atlantic strains were not discussed more freely and effectively at the upcoming meeting at La Sarrière, near Montreal, than at last spring's summit in Bonn.

Expectations then of renewed trust and mutual understanding between Western Europe and the Reagan administration were quickly dispelled.

The present tensions, highlighted by the festering controversy over the Soviet natural gas pipeline, stem from resistance by the Europeans to what they consider American attempts to drag them into an ideological, political and economic showdown with the Soviet Union, the diplomats added.

"Elena was a brave woman," said Eugenia Holmberg, one of Miss Holmberg's brothers, "and because it was known she had certain information and was passing information, they killed her. We think what is happening now will serve to bring the delinquents who killed her to justice."

Diplomats Hope Talks in Canada Will Help Lessen NATO Tensions

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Senate Panel Backs Ex-Newsman for Ranking U.S. Post

The Associated Press

WASHINGTON — The Senate Foreign Relations Committee has approved Richard R. Burt, a former reporter for the New York Times, for a high-ranking State Department job despite a dispute over a news story he wrote in 1979.

Senator Jesse Helms, Republican of North Carolina, was the only member of the panel to vote against the recommendation that the full Senate confirm Mr. Burt as assistant secretary of state for European affairs.

Senator Helms said Mr. Burt had "engaged in a prima facie violation of the law" by using classified information in a June 29, 1979, story about plans for verification of the second strategic arms limitation treaty. That treaty, which has not been ratified, was then pending before Congress.

Other committee members said that if there was a violation of the law, it was committed by the unknown government employee who provided Mr. Burt with the information. At his confirmation hearing Sept. 15, Mr. Burt said decisions on whether to publish material that might have come from classified documents were made by Times editors in Washington and New York.

Mr. Burt was a reporter in the Washington bureau of The Times from 1977 to 1980. He has since been director of the State Department's Bureau of Politico-Military Affairs.

U.S. Conducts Nuclear Test

The Associated Press

LAS VEGAS — An underground nuclear weapons test was conducted early Wednesday at a Nevada test site, the Department of Energy announced. It was the 17th announced test at the Nevada site this year, compared with 17 for all of 1981.

increased vigilance and effort to build up defenses in spite of the economic crisis, the diplomats said.

Beside causing strains with allies, they added, these changes in perception could give leaders in renewed efforts to drive a wedge between the United States and its allies.

The ministers are also trying to discuss what is described as the great truce of Moscow, Beijing and Warsaw; Soviet annual talks; war; Lebanon; and the Middle East as a whole.

Turbines Loaded in Bremen

Dockers began loading Wednesday that is to carry turbines for the Soviet natural gas pipeline, Reuters reported.

The owners of the Bremer Bischoff said the ship would port late Wednesday or Thursday in defiance of the U.S. ban, a Soviet port of Klaipeda on the Baltic Sea.

Diplomatic sources said

the ship would immediately

face American sanctions against

turbo manufacturers,

Katus, a subsidiary of the electrical group.

U.S. Government Facing New Crisis Over Stopgap Funds

By Helen Dewar
Washington Post Service

and still meet the deadline of midnight Thursday.

That was true even though at least one provision, to strip the Federal Trade Commission of authority over doctors and other members of state-regulated professions, was laid aside in hopes of speeding passage of the spending measure.

The problem for Congress is that it has yet to pass any appropriations bills for the new fiscal year starting Friday. Spending authority for all government agencies runs out at midnight Thursday.

Congress frequently goes down to the wire on interim spending bills but muddles through in the

end, causing only minor disruptions in the government. However, last year the government was shut down for a day when Congress and President Ronald Reagan deadlock over stopgap spending authority and the deadline was missed.

This time congressional leaders believe they can avoid a veto if a satisfactory compromise can be reached with Mr. Reagan on a temporary spending level. The more immediate problem is 40 proposed amendments, including some so controversial that senators refused to give unanimous consent to move ahead with the bill in advance.

Senate leaders kept up pressure Tuesday night on their colleagues to withhold amendments, but it was not clear whether they would succeed.

The bill is to return to the Senate on Friday, the 50-percent credit for salaries paid to disadvantaged workers.

No cost estimate was provided on the zoos bill, which would take effect next year.

There was also no estimate on the cost of the capital gains proposal, under which profits from the sale of assets would qualify for capital gains rates, instead of the regular income tax, if the assets were held for only six months instead of the current full year.

In the morning session, John B. Chapeton, assistant treasury secre-

etary for tax policy, said the administration will not initiate tax simplification proposals for at least a year.

Mr. Chapeton said that replacement of the progressive income tax with a flat rate system would help those in higher brackets and hurt people in the lower and middle levels.

Treasury tables presented by

Mr. Chapeton showed that certain flat rate proposals would cut taxes for those making \$200,000 a year or more by 60.5 percent while increasing taxes for the middle and lower classes from 28 to 342 percent.

Tax Relief Backed for Urban, Rural Business Zones in U.S.

By Thomas B. Edsall
Washington Post Service

turning of the individual income tax at least a year. Proposed changes include suggestions for a flat income tax rate.

It is probable that neither house of Congress will have time to act on the committee endorsements before the recess at the end of this week for the congressional elections in November. But the bills could still be considered for the lame-duck session planned from Nov. 29 to about Dec. 24.

The president proposed creation of enterprise zones earlier this year. The idea is to lure businesses

to return to depressed urban areas by offering them special tax cuts.

The committee bill authorizes creation of 25 such zones in each of the next three years. But because there are eight farm state members on the committee, the legislation requires that eight of the zones each year be rural.

Inside the zones, an existing investment tax credit of 10 percent would be increased, in some cases to 20 percent. In addition, the capital gains tax on certain property sales would be dropped. Employers would also receive a 10-percent annual tax credit for wages paid to

residents and a 50-percent credit for salaries paid to disadvantaged workers.

No cost estimate was provided on the zoos bill, which would take effect next year.

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SEAN Acting Steadily but Quietly to Increase Military Cooperation

By Francis Daniel
Reuters

SGAPORE — The members of the Association of Southeast Asian Nations are quietly but steadily building up their military, but they have stopped short of formal military alliance so as to upset their communist neighbors, China and Vietnam.

The five ASEAN members — Indonesia, Malaysia, the Philippines, Thailand and Singapore — more than doubled their military spending since the communist invasion in Indochina in 1975.

Diplomatic sources say that they have also been working to bolster security arrangements with their Western allies, particularly Britain, Australia and the United States.

Standardization Trend

ASEAN has a total troop strength of about 800,000. Military cooperation among the five mainly constitutes shared intelligence, efforts to standardize command systems and battle procedures, exchange of personnel and joint military exercises.

The five also appear to be moving toward some form of standardization of their weaponry. All their armies use M-16 rifles and all have U.S.-made F-5 fighter planes. Most use A-4 Skyhawk and Hunters attack aircraft fitted with Sidewinder missiles.

At least four ASEAN navies are equipped with French-made Exocet anti-ship missiles.

4 Thais Are Sentenced For Roles in '77 Plot

United Press International

BANGKOK — Four Thais have received prison terms of up to 60 years for their roles in a 1977 assassination plot against the king and queen of Thailand, officials said Wednesday.

The group sees Soviet-backed communism as the main destabilizing factor in the region at present, although China, which has historical and cultural ties with Thailand, remains a potential long-term threat.

Thailand has declared its support for ASEAN, and some Western analysts say that if it were not

for the influence of Beijing, Hanoi would have been emboldened to move against non-communist Southeast Asian neighbors after its Saigon victory in 1975.

Vietnam's armed forces, beefed up with Soviet military aid officially estimated in Singapore at around \$6 million a day, are numerically superior to those of the non-communist Southeast Asian countries combined.

Vietnamese Contempt

ASEAN planners say that while their countries have raised military spending, they do not want to antagonize Vietnam, which has made no secret of its contempt for ASEAN.

Foreign Minister Nguyen Co Thach of Vietnam said during a recent visit to Singapore that Hanoi would retaliate if ASEAN continued its activities against Vietnamese interests in Cambodia by supporting Cambodian resistance groups.

Vietnam made a brief incursion across the Cambodian border into Thailand last year and keeps many of its 180,000 troops in Cambodia near the Thai border.

This Vietnamese posture and the influence of the Soviet Union in Indochina have made it vital for ASEAN to reinforce its security ties with Western powers, the military planners say.

All the ASEAN countries except Singapore receive U.S. military aid. The United States also has military bases in the Philippines and is committed to Thailand's defense.

Malaysia and Singapore are linked with Britain, Australia and New Zealand in a military cooperation arrangement that mainly provides a regional air umbrella. Australia maintains fighter squadrons in Malaysia and Singapore, while New Zealand has an infantry battalion in Singapore.

The Philippines and Thailand also have a security understanding with Australia, the details of which have not been made public.

"We have increased our contacts with the U.S. and other Western allies," a senior ASEAN military official said. "We will need the extra muscle to maintain the balance of power in the region."



FURRY GIFT — Sachie Suzuki, the wife of Japan's prime minister, inspects Fei Fei, the giant panda at Beijing zoo who will soon be sent to Tokyo as a gift from China to Japan.

11 Children to Leave Vietnam for America

The Associated Press

BANGKOK — Eleven children of American-Vietnamese parentage are scheduled to leave Vietnam on Thursday for reunions with American fathers they have not seen for years, U.S. officials said Wednesday.

It will be the largest such group to leave since the end of the Vietnam War.

The children, accompanied by nine Vietnamese relatives, will fly from Ho Chi Minh City, formerly Saigon, to Bangkok for a stopover of several days before continuing to new homes in the United States, said Donald Colin of the U.S. Embassy.

Mr. Colin said that one American father, Gary Tanous, of Vancouver, Washington, will fly to Ho Chi Minh City on Thursday with

representatives of seven private U.S. agencies. His daughter Jean Marie, whom he has not seen in 14 years, will be waiting. But all other reunions will take place in the United States, Mr. Colin said.

A large percentage of the children were fathered by U.S. civilians who worked in Vietnam during the war, the U.S. Embassy said. Many of the children live in or around Ho Chi Minh City, some in orphanages and others roaming the streets selling peanuts, candies and movie tickets.

For two years Mr. Tanous has been urging American and Vietnamese officials to help him get his 15-year-old daughter out of Vietnam. Mr. Tanous, formerly a civilian employee in Vietnam, has divorced his Vietnamese wife, who is now living in the United States.

"Letting out these kids is more than a gesture by the Vietnamese. It's a signal," said John A. Shade Jr., director of the Pearl S. Buck Foundation. "I pray to God it's a new beginning."

A number of private American agencies involved in taking the children to the United States, including the Buck Foundation, are hopeful that cooperation between the United States and Vietnam on this issue will lead to better relations between the two countries. The two nations have no diplomatic ties.

In recent months Vietnamese officials have been saying that all Americans could leave Vietnam for the United States and have been talking with private American groups about the issue. How-

ever, under current U.S. legislation the vast majority of the Amerasian children are not eligible for acceptance because they are not documented U.S. citizens.

The Hanoi government says there is no official discrimination against American-Vietnamese children. But unofficial acts of racism and discrimination are common, and many are barred from schools and job opportunities, according to mothers of the children.

Mr. Colin said the 11 children would be going to homes in the District of Columbia, Georgia, Texas, Arizona, Oregon, California and Washington. All will be reunited with their fathers except for one child, whose father died and who will be living with his father's family, Mr. Colin said. He declined to identify the children or their fathers by name.

"I can remember him coming back from one of these survival schools he went to," she said, "and saying to me, 'God, I hope I never am a POW because I can't stand to go for three days without brushing my teeth.' Knowing the type of person he was, it would be a hell of a fate for him."

The Hanoi government says there is no official discrimination against American-Vietnamese children. But unofficial acts of racism and discrimination are common, and many are barred from schools and job opportunities, according to mothers of the children.

The diplomats who asked not to be identified said there were no casualties in the bombing of the government-run radio station. Following the attack on the Soviet Embassy, the area was immediately cordoned off.

Relatives' Visit to Laos Stirs Hope For News on Fate of U.S. Soldiers

By Bob Secter
Los Angeles Times Service

BANGKOK — Anne Hart has had 10 years to steel herself to the loss of her husband, but a few days ago the shock, the grief and pain she seemed to have forgotten came rushing back.

She was in a remote Laotian jungle, knee-deep in mud and sifted through bits and pieces of metal she thinks may be part of the C-130 military aircraft that crashed Dec. 21, 1972, with 16 persons aboard. One of them was her husband, Thomas T. Hart, an air force captain and the plane's navigator.

"You'd think after 10 years that things would be softened somewhat," Mrs. Hart said Monday. "But I think I felt just like I did when that young officer came to my door and told me Tommy was missing. It was all over again like it was in 1972. The tears just welled up. That surprised me."

Mrs. Hart, 38, was one of four relatives of U.S. soldiers missing in action in Indochina who returned to Bangkok this week from an unprecedented two-week tour of Laos and Vietnam, the first time the communist nations had invited such a delegation to search for news of relatives.

The group, all officials of the National League of Families of American Prisoners Missing in

men who fought in Indochina have never been found. All but a handful of those are officially considered dead by the U.S. government, but there have been numerous unsubstantiated reports of Americans still being held in Laos and Vietnam.

Officials in Vientiane also indicated that they might allow American experts into Laos to comb the wreckage of downed U.S. aircraft, according to Ann Griffiths, the executive chairman of the group.

Mr. Griffiths said that Colonel Khamla Keophouthone, the Laotian official in charge of matters relating to war prisoners and the missing, did not rule out the possibility that, because of communications problems in remote parts of the country, some villagers may not realize the war ended in 1975 and could still be holding American prisoners.

"Colonel Khamla did say that it was certainly possible that in remote areas there may be Americans still held that would be unknown to the central authorities in Vientiane," Mrs. Griffiths said at a press conference. "He said he intended to pass the word and try to communicate to the remote areas and let them know that the Lao government welcomes any information on Americans that could be turned over to the United States."

More than 2,500 U.S. service-

men who fought in Indochina have never been found. All but a handful of those are officially considered dead by the U.S. government, but there have been numerous unsubstantiated reports of Americans still being held in Laos and Vietnam.

The most dramatic moment of the group's mission occurred when the four, accompanied by Laotian officials and a representative of the U.S. Embassy in Vientiane, traveled by helicopter to a remote site in the southern Laotian jungle, hoping to find the wreckage of a plane that league records indicated had crashed there with Captain Hart, 32, aboard.

The group had landed in a rice paddy and jumped out of the helicopter into thick mud. A small piece of wreckage sat on the edge of the paddy, but nothing else from the plane was visible.

Suddenly, villagers shyly emerged and led the party down a well-worn path into the jungle past small pieces of metal. There were no wings, engines or other objects readily identifiable as airplane parts, Mrs. Hart said.

No Positive Identification

Eventually, she said, the group found a piece of metal they think might have come from a propeller, as well as a steel insert to a boot and two tiny fragments of bone. "I kept hoping that something among these things I would see a serial number," she said, "something off the wing or just anything to positively identify the aircraft."

No such identifying mark was found, but the searchers expressed confidence that a team of experts given access to the site, could turn up evidence relating to the C-130 and its crew.

Such a discovery would help remove that tiny grain of uncertainty that still haunts Mrs. Hart. "I think to myself, 'If he's dead, that's difficult to live with. But it's not a first for anybody. The thought that he might be alive and held under God-knobs what conditions is even harder to cope with."

"I can remember him coming back from one of these survival schools he went to," she said, "and saying to me, 'God, I hope I never am a POW because I can't stand to go for three days without brushing my teeth.' Knowing the type of person he was, it would be a hell of a fate for him."

Kabul Regime Is Said to Raid Bazaar

United Press International

main Paghman bazaar "was much more severe than originally reported," a diplomat said.

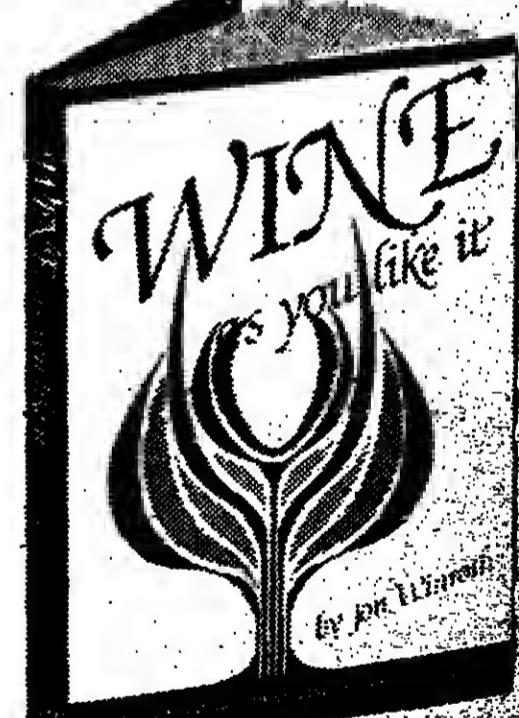
"About 200 civilians were killed or severely injured and most of the bazaar shops were destroyed or damaged in the attack, which apparently was retaliation for the high level of resistance activity in the area," he said.

The diplomats, who asked not to be identified, said there were no casualties in the bombing of the government-run radio station. Following the attack on the Soviet Embassy, the area was immediately cordoned off.

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FOR PARIS-TOKYO EXPRESS.

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Israeli Democracy Wins

The people of Israel have broken the resistance of their government to force a full and investigation of its negligence, or worse, permitting the slaughter of defenseless Palestinians in West Beirut. Are there people comparable honor and courage in the world who can appreciate Israel's revolution? Will the Lebanese dare to press a parallel search for the actual killers? It will be weeks before the Jerusalem inquiry reaches reliable conclusions. But the Israeli people, with their soldiers in the lead, have already rendered one clear judgment: affirming their humanity, they also affirm that of the Palestinians. They have risen in revolt against the politics of terror that Israel itself has long had to endure. By their time, they shame the killers of their own children. By their resolution, they expose the hypocrisy of many of their critics. Even as this inquiry was belatedly organized, Israelis raised gashed new questions about the massacre. Some now doubt that it is a spontaneous act of Phalangist revenge

— THE NEW YORK TIMES.

A Success for Honduras

Let's hear it for Honduras, which has just staved off a terrorist challenge that could have taken the government under. A dozen gunmen seized scores of business leaders gathered at a meeting. All kinds of leftist slogans and evasions were voiced, but what the gang wanted, it turned out, was the release of Alejandro Montenegro. Mr. Montenegro known as the most successful guerrilla leader in El Salvador; he had been apprehended in Honduras in August and, as it opened, deported before the raid to freedom was launched. As it happened further, guerrillas got nothing for their pains except an eventual safe passage out of the country (to Cuba) and some publicity. No prisoners were released, and none of the people said to have "disappeared" at the hands of the Honduran military was recovered. U.S. Army advisers were not involved, and Honduras did not quit the Central American Democratic Community.

Why did the siege end as well as it did, no national goals sacrificed and no loss of life? Two Honduran clerics and a Venezuelan diplomat skillfully drew the guerrillas to nonstop talks for eight days. The Hon-

Other Opinion

Gagan Means to Be Boss'

ported to the Soviet Union so that Hanoi can reduce the debt it has incurred to Moscow since the end of the Vietnam War.

— The Voice of America (Washington).

Moscow on the Massacre

Neither the Palestinians nor other peoples will ever forget or forgive what the aggressors have done. Retribution is inevitable. If Washington and Tel Aviv hope in this way to impose on the Arabs their terms for settlement, they are deluding themselves completely. The Beirut massacre will only deepen the gap that now divides the Arabs and Israel. Many generations of the Israeli people themselves will in the future have to overcome the consequences of the grave crimes committed today by their government.

— Tax (Maroc).

Embarrassing Grain Wealth

Not only Britain but almost every other significant crop-producing country in the West, including the United States, Canada, France, West Germany and Italy, has experienced a record harvest. Grain is pouring into storage at an unprecedented rate, and much of it will have to stay there until a market can be found. To many people the embarrassment caused by Western grain surpluses must seem paradoxical, even hypocritical, in the light of the acute hunger prevalent in other parts of the world. But Third World countries are constrained by their inability to pay for large-scale food imports, even at heavily subsidized prices. Relief agencies, moreover, have come to dislike free or cut-price food aid because, they say, it discourages indigenous production and excuses governments in Africa, for example, from tackling their own agricultural problems. It is a bizarre comment on the situation that a delegation from the International Wheat Council should now be in China trying to persuade the world's biggest nation to adopt the habit of eating bread. With the world market in grain so far oversupplied, the operation of the European common agricultural policy once more stands condemned.

— The Times (London).

A Princess Mourned

Princess Grace exuded more nobility than those born into it. The heartfelt mass mourning is the greatest tribute to the splendid woman that she was.

— The Hong Kong Standard.

SEPT. 30: FROM OUR PAGES 75 AND 50 YEARS AGO

77: Comfort in Prison

PARIS — Lé Figaro, referring to articles in press describing the pleasant, well-carried existence in the prison at Geneva of Lucien, who assassinated Empress Elisabeth of Austria-Hungary in 1898, concludes: "Verily, it is believed that would-be criminals will be intimidated, one is very much moved. This is where humanitarianism has led us in penal matters. The guillotine is pressed and a suggestion is made that it should be replaced by rigorous imprisonment; then, by persistent and exaggerated anthropomorphism, convicts are given conditions that would make innocent people out. Prisons are turned into pensioners' nests with all the latest improvements."

1932: Japan and Russia

PARIS — Today's editorial reads: "The correspondence between Soviet Russia and Japan reveals that each has contrived to put the other in an embarrassing position. The Soviet Union wants Japan to sign a non-aggression pact, and no reason that Japan can give for not signing it will be the sight of too much publicity. Japan wants Russia to recognize Manchukuo, and while the Soviet Union has reasons for not doing so, they have only to be clearly defined to embarrass Russia in other quarters. There is little doubt that the Japanese military think war with the Soviet Union is inevitable and see every advantage to Japan in having it over with before the industrialization of Siberia goes any farther."

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The Superpowers Meet at a Diplomatic Crossroads

By Flora Lewis

PARIS — Secretary of State George Shultz began talks with his Soviet counterpart, Andrei Gromyko, in New York Tuesday. The meetings come at a crossroads, a time of tensions and choices for both countries, when small steps can fix a fatal direction.

Leonid Brezhnev, reportedly looking fit on television last weekend, is still in charge of the Soviet Union. But although he runs a superpower, he is not superhuman. His debilitating illness has already plunged his country into a muddled struggle for succession. Moscow is full of barely veiled arguments about which way to go in a period of great difficulty.

The biggest Soviet problem, as in the rest of the world but for different reasons, is the economy, and as elsewhere it colors political views. In foreign policy, the central issue is what kind of relations to expect from America on a whole range of problems starting with the prospect for arms agreements or a massive arms race.

Mr. Brezhnev's overture to China for "normalization ... on a basis of common sense, mutual respect and mutual advantage" can be read in that light. Détente, he said, "in no case must be put at the mercy of the narrow-minded, egoistic politicians in the camp of imperialism."

Although Washington sees the Russians as bloated with expansionist designs and achieve-

ments, Moscow is furious with frustration at its demonstrated impotence in the Middle East, worried about détente and whether it can count on East-West trade for development plans, uneasy but baffled with the impasse in Poland and the quagmire in Afghanistan.

Not even the most virulent propagandists crow about Soviet "successes" these days. Nor is the West being treated to predictions of the "imminent collapse of capitalism" that used to be routine with milder recessions. Moscow is a long way from Nikita Khrushchev's claim a generation ago that "we will bury you" by 1980. The Russians have plenty of missiles, but nothing else looks rosy to them.

All this is surely in the background of the decision to ease the Camp David peace. Beyond that, there are signs of a split, without a decision yet, on whether to wait out the Reagan administration in hope of restoring détente with Washington or to push harder to pry Western Europe away from the United States.

These essentially tactical arguments cover a deeper strategic quandary. Enough has seeped out to show that the Soviet regime is embarked on a curious replay of the traditional Russian dilemma. In previous centuries, it was called

the struggle between Westernizers and Slavophiles. The question was whether Russia should seek to modernize by opening more to the West and trying to absorb its techniques, or to barricade the "Russian soul" against decadent, nefarious outside influence.

It is a nationalist question that long predates communism, itself a Western idea, and has little to do with ideology. Alexander Solzhenitsyn, for example, an incisive critic of all that is Soviet, is a Slavophile who advocates return to mystic Russian roots.

American analysts, struck by the renewed intensity of the old argument, differ on where to place what remains of primarily Marxist-motivated members of the Soviet hierarchy. A meticulous, detailed study by Philip Stewart of the University of Ohio shows them siding with the Slavophiles against accommodation with the West. Some others think that the ideological hard-liners tend to back Westernizers so as to sustain communism's global ambitions.

There are solid grounds to consider it a serious mistake for the United States to suppose that victory of the Slavophiles would mean Soviet retrenchment and reduced danger of East-West conflict. That is the view of some import-

ant members of the Reagan administration, and it is an undercurrent of their policy moves to cut exchanges of people and goods. The Russians, turned back upon themselves, are likely to be more, not less, difficult and dangerous. Stalinism was an example.

Relentless destruction after the Helsinki accords was a typical Soviet reaction to difficulty — ploy if tough. The more Moscow feels trapped, even by its own mistakes, the nastier it gets.

Certainly there is no reason for the United States to rescue the Kremlin, but the United States has a crucial stake in the outcome of its quandary. To have any degree of influence, America must know which way it hopes Moscow will go. That requires a medium-term as well as a long-term U.S. policy on managing relations with the Russians.

Mr. Gromyko is looking for hints from Mr. Shultz, which would be bound to be used in the Kremlin debate. Mr. Reagan's toughness has made its point. The time has come to cash in by suggesting that relations can be improved by diplomacy. The choice is not between a complaisant or a hostile Kremlin. It is between an embattled, brooding superpower or one that sees benefit in compromise.

The New York Times

The Signposts That Call for Mutual Freeze

By Hans A. Bethe
and Franklin A. Long

ITHACA, New York — The rapid increase in American public support for a nuclear freeze agreement — that is, a mutual freeze on the testing, production and further deployment of nuclear weapons — has been a remarkable political phenomenon. In less than a year, support has grown from a few volunteers collecting signatures on petitions to a congressional vote in which supporters of a freeze very nearly prevailed. This fall, eight states and the District of Columbia will vote in freeze referendums. Already Wisconsin voters have overwhelmingly voted yes in such a referendum.

There are many reasons for this strong support for a freeze, including fear of nuclear war, resistance to high levels of military spending and opposition to particular military policies of the Reagan administration. But for most supporters, the chief purpose of a freeze is simple: it is to help stop an immense, continuing, dangerous and incredibly costly arms race between the two superpowers.

The Reagan administration opposes a prompt freeze; its members offer a variety of arguments why a freeze is a bad idea. Most of these arguments lack validity.

One argument that spokesmen offer is that a freeze would leave no incentives for Russia to stop the arms race. But strong incentives to stop it already exist in both countries. The Soviet Union shares with America an unbalanced economy caused by immense expenditures for military systems. A freeze permitting large decreases in military spending would be of great help to the economies of both countries.

Another argument is that America would be "behind" the Soviet Union if a freeze were agreed upon. This is highly debatable. Even the more pessimistic U.S. military leaders agree

that there exists an approximate nuclear parity and a situation of strong mutual deterrence.

The Reagan administration complains that in the 1970s the Russians built up their nuclear arsenal relentlessly while America stood still. In fact, the number of warheads in the U.S. strategic forces increased from about 4,000 in 1970 to 10,000 in 1980, while the Soviet Union's increased from about 1,800 to 6,000 in 1980 and 8,000 in 1982. The Soviet buildup followed America's by about five years. The best way to stop still further buildup is a freeze followed by negotiated, substantial arms reductions.

One administration spokesman bases some of his arguments against a freeze on a proposal with which we agree — namely, that nuclear weapons "are good if they promote stability and contribute to deterrence of war, and bad if they diminish stability and weaken deterrence."

But then he argues in favor of all components of the administration's nuclear arms buildup, whether they lead to stability or not.

Consider two new American delivery systems: the proposed intercontinental ballistic

missile called the MX, and the planned deployment of highly accurate cruise missiles on submarines. Both weapons, if deployed, will be seriously destabilizing. All plausible arrangements for basing the MX will leave it vulnerable to Soviet attack; moreover, the threat to Soviet ICBMs from the high accuracy of the MX is an added reason for the Russians to launch a nuclear first strike with their own ICBMs. The submarine-launched cruise missile will be destabilizing because of the serious difficulty, when seeking arms control agreements, in verifying the numbers that are deployed.

It will take statesmanship and a mutual desire for peace to negotiate a freeze. Either country can obstruct the negotiations by unrealistic conditions or by demands for excessively intrusive verification procedures. But verification need not be a severe problem, since both countries have substantial national technical means for verification. Furthermore, it is clearly easier to verify zero activity — that is, no testing, no production, no deployment of new systems — than to verify quotas or restrictions.

The larger goal for Washington and Moscow is to obtain some measure of political reconciliation, based on a mutual understanding that neither party benefits from the current costly and dangerous confrontation.

Arms control agreements will still be needed to reduce the world's arsenals of nuclear weapons. The strategic arms reduction talks (START) and the negotiations on reductions in intermediate-range nuclear forces should continue. Both sides still need other political agreements and confidence-building measures. And both powers must work to decrease greatly the threat of major war in Europe.

But for all of these aims, a mutually agreed nuclear freeze would be an important first step, a clear signal for new directions.

Hans A. Bethe, Nobel Prize winner in physics in 1967, is professor emeritus of physics at Cornell University. Franklin A. Long, professor emeritus of science and society there, was assistant director of the U.S. Arms Control and Disarmament Agency in 1962 and 1963.

Economic Realism Is Displacing Magic in American Politics

By Joseph Kraft

WASHINGTON — Economic recovery may not be visible, but economic realism is enjoying a rebirth. Except for the president, administration officials are more and more conceding that inflation cannot be licked without a cost in jobs.

The Democrats are inching away from their conceit that full employment demands only good intentions. While a rational debate about taxes and spending may be too much to expect, America at least stands to escape from the search for magic cures.

The voice of realism was sounded inside the administration last week by the new chairman of the president's Council of Economic Advisors, Prof. Martin Feldstein. In his confirmation hearings he described as "decisively proven wrong" the supply-side notion that huge tax cuts would unleash enough economic activity to wipe out inflation, budget deficits and unemployment all at once.

The present high rate of unemployment (9.8 percent) was linked by Mr. Feldstein to cutting inflation to its present low rate (3.5 percent). He said that the economy seems about to recover, but added that it would be necessary to reduce budget deficits.

He expected unemployment to hang around 7 percent. As to cutting deficits, he favored reductions in social expenditures before pruning defense or raising taxes.

The new boy in town was not just popping off. Mr. Feldstein has been attending meetings of the Cabinet Committee on Economic Policy. The committee has been wrestling with the 1984 budget, which the president has to present to Congress in Janu-

ary. There has taken place a distinct retreat from the optimistic figures once projected for economic growth. The 5-percent growth envisaged by the president last January is now down to about 3.5 percent. Moreover it is not just David Stockman of the Office of Management and Budget and Malcolm Baldrige, the secretary of commerce, who see slow growth ahead. The Treasury numbers, which used to be up, are down, too.

Mr. Reagan, to be sure, continues to sound as if there can be disinflation without tears. The other day he denounced as "cynical demagoguery" Democratic charges that the administration attacked inflation on the backs of the unemployed.

The president can have his way within the administration if he insists. But increasingly the word is out that Mr. Reagan follows events critically. Those around him are more and more tempted to bend policies they do not support. One official, asked whether Mr. Reagan was not a pretty important factor in the economic policy of the administration, replied bluntly, "Only if he gets mad."

On the Democratic side, the belief in throwing government programs at problems still predominates. Witness a billion-dollar jobs program that Speaker Tip O'Neill has rushed through the House. But just beneath the leadership there is a different viewpoint, which found muted expression the week before last in a manifesto put out by a group of younger House Democrats.

The manifesto was called "Re-

building the Road to Opportunity — A Democratic Direction for the 1980s." Its chief authors were congressmen elected in the last decade from suburbs and smaller cities and known for their emphasis on technology. Some of the more prominent names are James Jones of Tulsa, Oklahoma; Richard Gephardt of St. Louis, Missouri; Les Aspin of Kenosha, Wisconsin; Martin Frost of Fort Worth, Texas; and Tony Coelho of Fresno, California.

Their economic program emphasizes a need to compete abroad for new markets in industries such as computers, aerospace and data management. They spoke of investment, not spending programs; they urged smaller budget deficits, hinted at new taxes. They did not even mention the once sacrosanct goal of 4-percent unemployment. One said privately, "We're for the growth of national income, not its redistribution from rich to poor. If we had our way we wouldn't support the jobless."

If nothing else, the forces working for realism narrow the range of choice. Important groups in both par-

ties want to hold down inflation and promote solid economic growth. They are committed to trimming deficits. But where Republican realists favor cutting social programs, the Democratic realists prefer raising new taxes and making cuts in defense.

Politics, in an election year, rules out sharp definitions and pure confrontation between the parties. But at least some limits are being set. The damper is down on the facile approach — search for cure by hocus-pocus, voodoo and other charms. The quacks, having had their day, are now being forced out.

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SYMBOL OF ADMIRATION — A young woman offers Pope John Paul II a flower during Wednesday's general audience in St. Peter's Square at the Vatican and then bows to kiss his vestment as the pontiff caresses her head.

Pei Wenzhong Is Dead; Discovered Peking Man

Los Angeles Times Service
BEIJING — Pei Wenzhong, 79, the Chinese archaeologist who found the skull of Peking Man in 1929, providing the first solid evidence of modern man's evolution from the apes, died Sept. 18.

Mr. Pei's discovery still ranks among the foremost in the study of man's origins. He made later contributions to Chinese science, including leadership of subsequent searches for evidence of the origins of early man.

At his death, Mr. Pei was a leading researcher at the Chinese Academy of Science's Institute of Vertebrate Paleontology and Paleanthropology, according to the Chinese news agency Xinhua. His burial Tuesday in Babaoshan Cemetery, the resting place of China's greatest leaders, attested to his political status.

Modern Man's Predecessor

Mr. Pei's discovery of the skull of Peking Man in the muck of the floor of a cave 30 miles (48 kilometers) southwest of Peking helped establish the place of Homo erectus Pekinensis as the predecessor of modern man 200,000 to 400,000 years ago. The skull itself was estimated at 500,000 years old.

Most of the Peking man fossils collected on Chicken Bone Hill over two decades of research by Chinese, U.S. and European researchers before World War II were lost during the war. China still blames "some Americans," who had removed them from China for safekeeping. Mr. Pei often lamented that the study of human evolution was significantly set back as a result.

More fossils, including another skull, teeth part of a jawbone and other fragments, were later found at the site, but Mr. Pei felt that none could replace those that had been lost.

Full Significance

"We knew what we had found in the 1920s and [that it] was terribly important, but the full significance would have been clear only in later years when the techniques of science caught up with our discovery," Mr. Pei said at a conference on the 50th anniversary of his discovery.

Mr. Pei, who studied first at Peking University and later at the University of Paris, directed a number of major excavations in China in the 1950s and 1960s. Like other paleoanthropologists, he fell into political disfavor during the Cultural Revolution from 1966 to 1976 and was able to resume his work only a few years ago.

Paul Kollsman

LOS ANGELES (NYT) — Paul Kollsman, 82, an aeronautical engineer whose invention of the altimeter in the late 1920s helped revolutionize aviation, died Sunday. He had hundreds of

transcripts as "Mr. R." was a key figure during World War II in the Office of Strategic Services, the predecessor to the CIA.

Mr. Dulles said that about 10 percent of the Abwehr, the German intelligence agency operating under the joint chiefs of staff, had turned against Hitler because they were "disgusted with Hitler's tactics" and opposed his "treatment of the Russians."

While he was OSS chief operating out of Switzerland, Mr. Dulles said, senior German counterintelligence officials including Admiral Wilhelm Canaris, who headed the Abwehr, and his deputy were in direct touch with him.

Mr. Dulles testified June 27, 1947, at a hearing by the House Committee on Expenditures in the Executive Departments that laid the basis for establishment later that year of the Central Intelligence Agency. Mr. Dulles became the agency's director. The House Government Operations Committee, successor to the expenditures committee, voted unanimously Tuesday to release the transcript.

Mr. Dulles, identified in the

Wallace Wins Runoff With Black Support

By Howell Raines
New York Times Service

MONTGOMERY, Alabama — George C. Wallace won the Democratic nomination for governor Tuesday in a close runoff that hinged on his ability to attract black voters, whom he had shunned in earlier campaigns.

With 99.3 percent of the 4,144 precincts reporting, former Governor Wallace had 505,243 votes, or 51 percent, to 486,223 votes, or 49 percent, for Lieutenant Governor George McMillan.

In the primary three weeks ago, rural blacks provided many of the votes that enabled Mr. Wallace to lead Mr. McMillan by 42 percent to 29 percent. Mr. McMillan, 38, campaigned as a "New South pro-

gress." Mr. Wallace, who at 63 is seeking to become the state's first four-term governor, will face Mayor Emory Folmar of Montgomery, the Republican nominee, in the Nov. 2 election.

Rural Support

The incumbent governor, Fob James, a Democrat, did not seek re-election. Despite the efforts of Governor James and prominent civil rights leaders to help Mr. McMillan, Mr. Wallace received as much as 40 percent of the black vote in some counties in the Sept. 7 primary. A strong rural-urban split was evident in the primary and in the runoff.

Mr. Wallace, who was governor

from 1963 to 1966 and from 1971 to 1979, ran well Tuesday in his traditional strongholds of white areas of rural Alabama, carrying four times as many counties as Mr. McMillan.

Moreover, Mr. Wallace held his own in the predominantly black counties of the old plantation section in central Alabama, despite the efforts of black leaders to remind minority voters of his "segregation forever" motto of two decades ago.

Mr. Wallace and Mr. McMillan closed their runoff campaigns on harsh notes that indicated the divisions their contest has created among Alabama voters.

At a rally intended to recall the populist fervor of his presidential campaigns, Mr. Wallace, joined by Tammy Wynette, the country singer, told a crowd of 2,000 people Monday night that the campaign was a battle between the little people and the wealthy.

"We are fighting Republicans, the special interests, the large newspapers," Mr. Wallace said. He warned his supporters that some Republicans would turn out for Mr. McMillan in the belief that he would be easier for Mr. Folmar, the Republican nominee, to defeat in the general election.

Where Wallace supporters once aimed such talk mainly at white wage earners, this year they asked for the support of "the average man and woman, black and white."

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SCIENCE / TECHNOLOGY

Hidden Story Behind Insulin

By Lawrence K. Altman

New York Times Service

TORONTO — The discovery of insulin at the University of Toronto 60 years ago ranks with greatest moments in the history of medicine. For the first time, diabetes and women, many of whom were until then doomed to a painful starvation diet followed by coma and death within a few days, were offered a treatment that restored them, sometimes in a few weeks, to health. No detailed, accurate account of events that led to so astonishing a leap forward in the treatment of disease has ever appeared.

The relevant documents were read; others were suppressed by university of Toronto to avoid embarrassment to surviving relatives. But with the death of last principal in 1978, research began without impediment. Mel Bliss, a historian at the university, believes he has now put the story together from published accounts, published and unpublished, and by delving into the Nobel Prize archives at the Karolinska Institute in Stockholm.

Feuding and Bickering

Professor Bliss's account, "The Story of Insulin," being published this month in Canada by Tolland & Stewart, and next month in the United States by the University of Chicago Press, shows all dimensions of the feuding, bickering, the jockeying for position and reward, the personal and weaknesses, as well as glories, of the all-too-human researchers whose achievement did much for so many. As J.R. Macleod, one of the two men who shared a Nobel Prize for discovering insulin in 1923, said: "If every entanglement as much squabbles over priority, etc., as this one it will put the job of trying to get them out of fashion."

The public who read the papers in the 1920s, and to successors who learned the story from Paul De Kruif's book, "Against Death" or other similar accounts, the discovery of insulin in 1923 was made in just one summer of 1921, by two inexperienced scientists, Frederick Banting, a 30-year-old surgeon who understood the critical puzzle of insulin and an inspired idea he conceived upon falling asleep, and Charles Best, a 22-year-old college student who had not yet entered medical school and who did the initial treatment. The first patient successfully treated was Leonard Thompson, in January 1922.

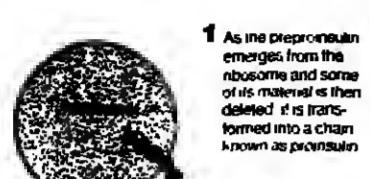
The Nobel Prize for physiology or medicine in 1923 went to Banting and Professor Macleod, head of the physiology department who had given Dr. Banting laboratory space. Professor Macleod had spent the summer of vacationing in his native

Scotland and returned, the story goes, to find that his assistants had discovered insulin. The Nobel award to Professor Macleod, therefore, was so surprising and controversial that Dr. Banting divided his half of the money with Mr. Best. Macleod's riposte was to share his half with J.B. Collip, a young biochemistry professor who joined the team in December 1921.

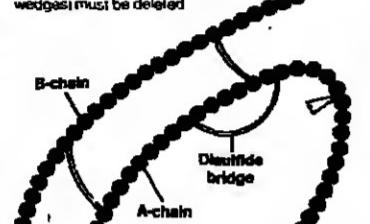
The real story was much more complex — and perhaps less inspiring.

How the Body Produces Insulin

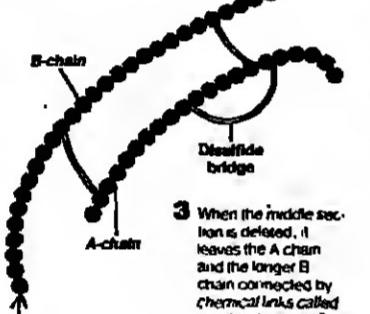
Cells in the pancreas build insulin in a series of steps. In the cell's protein factories, the ribosomes assemble to form proinsulin. Excess amino acids are then shipped away in succeeding stages.



1 As the proinsulin emerges from the ribosome and some of its material is then deleted, it is transformed into a chain known as insulin.



2 The proinsulin contains within it what will ultimately be the material for two chains. But the B-chain is a chain known as the middle, or connecting peptide (the area beneath the wedge must be deleted).



3 When the middle section is deleted, it leaves the A chain and the B chain connected by chemical links called desulphide bridges. This is insulin.

The New York Times

inspired. As many as 400 researchers had tried to find what Dr. Banting and Mr. Best sought. It had been known for decades that if the pancreas was removed from experimental animals, diabetes ensued. However, the duct that carried the pancreatic secretions off to the body could be severed, but there would be no diabetes. In fact, the whole pancreas could be transplanted within the animal, and if only a small part of the pancreas was retained — just under the skin, say — there would be no diabetes. Later it was realized that structures in the pancreas called the islets of Langerhans were involved, and that their secretion, if any, must pass directly into the blood instead of through the pancreatic duct.

According to Dr. Banting's later account, he was trying to read himself to sleep with a medical article about the pancreas on Oct. 30, 1920, but he was kept awake by worries over debts. An ad, prompted by the article, came to him and he jotted it down. He would sit off the pancreatic ducts of dogs, wait for the gland to degenerate from disease, then make an extract of the remaining tissue.

Additional Experiments

By the time of Professor Macleod's return from vacation on Sept. 21, 1921, Dr. Banting and Mr. Best had found that injections of the pancreatic extract into the veins of diabetic dogs sometimes worked spectacularly. However, the cautious Professor Macleod insisted on additional experiments to exclude the possibility that the effects attributed to insulin were actually a result of some other factor.

A few days later, Dr. Banting, whom Mr. Best described as "frothing at the mouth," threatened to take his research to the Mayo Clinic or Rockefeller Institute if he did not get assistance with money and manpower. According to accounts written much later, Professor Macleod refused at first, then apparently relented.

The pace of the research quickened. Professor Macleod had become the quarterback of the team, turning the entire laboratory over to the search for insulin. It was clear that the two young investigators needed help. Dr. Banting asked for it. Professor Collip, the biochemist, wanted to participate. But Mr. Best opposed it, as he later said, "for obvious and selfish reasons." However, Dr. Banting persuaded Mr. Best to relent.

The researchers' first report was given at a meeting of the American Physiological Society in New Haven in December 1921. Dr. Banting, a poor speaker, stumbled. Professor Macleod came to his rescue. But Dr. Banting thought Professor Macleod was stealing credit by speaking in the first person plural. They quarreled again.

Once the team was satisfied that it had found something that effectively lowered the blood sugar of diabetic animals, the problem was to purify it for human use and Professor Collip was assigned to develop the purification technique.

By late January 1922, Professor Collip had found it. But with Professor Macleod's approval he was asked to share it with Dr. Banting and Mr. Best. Dr. Banting, obsessed with fears that Professor Macleod and Professor Collip were taking over the project and would deny him the credit, grabbed Professor Collip, a much smaller man, and roughly explicit parting instructions and corresponded through the summer.

In the first human trial was done in December 1921, not on Leonard Thompson but on Dr. Joseph Gilchrist. It failed, because the dose was given by mouth. At the time, Dr. Banting had no reason to know that insulin was ineffective when swallowed.

After the Thompson success in January 1922, Professor Collip, a laboratory wizard with an instinctive skill at freehand chemistry, incredibly found he could no longer make the extract. With the supply soon exhausted, at least one patient died. Dr. Banting, close to despair, his engagement on the brink of dissolution, drank himself to sleep every night; his attendance at the laboratory began to fall off. By mid-May, however, the Toronto team had relearned the secret.

To Professor Collip, credit for the discovery is due to the four men and some of their collaborators. Yet he believes that the Nobel Committee's decision to award the prize to Dr. Banting and Professor Macleod among the 57 nominees that year was justified. (Files of the Nobel committee are open to scholars 50 years after the award, and no more than three individuals may share an award.) The two men were honored primarily on the recommendation of August Krogh, a Danish Nobel laureate.

In the final analysis, Professor Bliss says, "I don't see how anyone can say anymore that Banting and Best alone discovered insulin."



From "The Discovery of Insulin"

More credit is due to J.J.R. Macleod (left) and J.B. Collip.

Children: The Toll of Teasing

By Elizabeth McHren

Los Angeles Times Service

WASHINGTON — An 8-year-old boy in Cleveland turned in this theme paper not long ago:

"I hate D.J. He calls me 'nerd' and then runs away."

His teacher was hardly sympathetic. "Too bad," she responded, grading the boy accordingly, "you didn't pick a better topic."

In fact, said Dr. Jane Kessler, a child psychologist, the boy was dealing with a topic that affects nearly everyone at one time or another; a subject, she said, "that everyone seems to know of" — but no one seems to know much about: teasing.

Dr. Kessler discovered, and duly reported at a meeting of the American Psychological Association here, that teasing "is a phenomenon that has been almost totally neglected in the literature" of the profession.

Like the teacher, most psychologists acknowledge the existence of teasing, and after that "they tend to express ambivalence." Those who were not entirely ambivalent, Dr. Kessler found, tended to write off teasing as "a natural part of childhood" — something that actually helps reduce tension and, in the parlance of the trade, "helps with desensitization."

Yearlong Study

But Dr. Kessler was intrigued. Author of "The Psychopathology of Childhood" and a professor of psychology at Case Western University, she embarked upon a year-long study of childhood teasing. Focusing on a group of elementary-school-age children, she asked them, for one thing, to define and describe the process of teasing.

John, 7: "Teasing means funny. You tease someone and they laugh, like when you say na-na-na-na, your underpants are showing..."

"Teasing means hurting someone's feelings," offered Brian, 8, "and it's not very nice. You just do it when you want to hurt someone's feelings."

Said Scott, 8: "Teasing is not nice. I just say, 'Go away.'

What Dr. Kessler herself quickly learned was that "clearly, teasing has different meanings in different social contexts." But a constant quality, she said, was the "small but persistent nature of the event," the kind of psychological map-making that seems "linked to humor, with the intention to annoy."

From humorous and not especially mean, to aggressive and downright sadistic, she said, teasing has evolved a kind of scale of acceptability. "You have, on the one end, bantering, kidding, ribbing," she said, "graduating down to badgering and tormenting."

Teasing, she said, must be viewed "from two sides: the degree



away from name-calling." In the intent of the teaser, and the perception of the one teased.

Sometimes teasing is competitive, "a linguistic test, for fun or for viciousness" — sometimes for both. Sometimes it is a tool: "it can reduce boredom, and make the person who is doing the teasing feel more powerful."

Teasing is so ingrained in most cultures that it sometimes takes on ritual proportions. "Hazing," Dr. Kessler said, along with other kinds of initiation rites, "can be seen as a form of teasing." On at least one day each year, teasing retains an almost sacred quality. "We have an entire day set aside, April Fool's Day, which gives immunity for this kind of activity."

Studying children, she found that teasing also can serve what she called "an adaptive function." One teen-age girl in an inner-city school was teased relentlessly because she had a free-lunch ticket. Bolstering her strength, the girl learned to tease back, telling her peers, "Never mind, say what you want, I'm going to enjoy my free lunch." As a study in adaptation, Dr. Kessler said, teasing and counter-teasing in this fashion "help develop qualities of strength, pride, independence and learning to deal with hurt feelings."

For her part, Dr. Kessler said: "I have entirely changed my view about how to help the child who is being teased. The practical solution is to help the child answer back — and immediately. I have learned it doesn't matter what you say, but say something, and say it fast."

Disease Threatens Koalas

United Press International

SYDNEY — A sudden increase in a disease, cystic ovary, is reportedly affecting up to 90 percent of female koalas in some areas of Australia. Researchers say the marsupials are not in danger of extinction, because some populations remain relatively untouched.

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مكتبة الطفل

The 'Fuel Revolution' Continues; Downsizing Dominates Industry

By Peter Waymark

A FEW YEARS ago U.S. car manufacturers were besieged by Brock Adams, then transportation secretary, to "reinvent the automobile" in line with the demands of the energy crisis for smaller, and more fuel efficient vehicles. The result has been nothing less than a revolution.

The traditional large American car is fast disappearing, and along with it the big, gas-guzzling eight cylinder engines. The key word is "downsizing".

In 1976, the Chevrolet Caprice weighed 4,285 pounds (1,928 kilograms) and was a typical American family car. Its present-day successor, the Citation, weighs only 2,120 pounds, and is several feet shorter.

Two factors have prompted this revolutionary change in U.S. car design:

One is the government requirement that manufacturers must meet minimum average fuel consumption targets across their range, on penalty of fine. In 1976, the stipulation was a modest 18 miles (28.8 kilometers) per U.S. gallon; the figure set for 1985 was 27.5 mpg. This has forced the U.S. automakers in design lighter vehicles, with smaller engines and to make much more use of diesel power.

The other force behind the move to smaller cars is the worried customer. The so-called "first" oil crisis of 1973-1974 left American motorists largely unmoved. They saw it as a temporary hiccup and did not rush to buy more economical vehicles.

But when, during 1979, the Iranian crisis threatened U.S. oil supplies, the scramble for gasoline led to violence, and even death, at the filling stations. Suddenly Americans were prepared to abandon the habits of a lifetime and buy really small cars.

Though the changes have been less dramatic because the cars were more fuel efficient in the first place, the same single-minded quest for more miles to the gallon is being carried out in Europe and Japan. Manufacturers, indeed, are busy turning the challenge to their advantage: what could be a better selling point, with gasoline prices going steadily upward, than the promise of outstanding consumption?

The gains for the motorist are likely to be considerable. According to Robert A. Lutz, chairman of Ford of Europe, "applying advanced technology to the limit of current knowledge, we believe it is possible to produce a car by the end of this century which can return a consumption about half today's European average."

The quest for better fuel economy is proceeding along three main paths. The first is weight saving, partly by using lighter materials, such as aluminum and plastic, but also by making the vehicle smaller.

By switching from rear-wheel to front-wheel drive, which has been happening particularly in the United States where front-drive cars were virtually unknown until recently, it is possible to maintain, and even increase, passenger and trunk space within small overall dimensions.

The second area is aerodynamics: producing a smoother shape that sets up less drag or wind resistance. This is done by increasing the rake of hoods and windshields, designing high, square tails, fitting spoilers and air dams and eliminating protrusions. Drag coefficients are being quoted by manufacturers almost as often as miles per gallon.

Thirdly, there are several ways of making the engine more efficient. The industry is in general agreement that the internal combustion gasoline engine will still be the main power source for cars until well into the next century. But it will need to use increasingly less fuel.

Weaker air/fuel mixtures, reductions in friction losses and the introduction of more electronic systems in engine management will all play a part, as will the wider use of five-speed gearboxes and higher gear ratios.

The prospects for viable alternatives to the gasoline engine, meanwhile, look no more promising than they did 10 years ago.

Diesels, which give much better economy, will undoubtedly become more widespread, especially as the traditional drawbacks of excessive noise and poor performance are overcome. The best diesels are already showing the same sort of refinement as comparable gasoline units, while turbocharging is being employed as a means of restoring the "lost" power.

Otherwise one of the promising developments is the gas turbine engine. Since Rover demonstrated the first practical turbine car back in 1950, not much has been done in this area. But recent improvements in materials, notably ceramics, have brought renewed interest.

Ford is engaged with Garrett AiResearch of Arizona in a turbine engine project for the U.S. Department of Energy under which prototypes should be ready by 1985. If all goes according to plan, between

(Continued on Page 11S)

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AUTO INDUSTRY



NEW AT PARIS AUTO SHOW: Top left, the new Opel Corsa; top right, Ford's Sierra; bottom left, the Bentley Mulsanne turbo and bottom right the Audi 100. The show, at the Porte de Versailles, opened Sept. 30.



U.S., Europe Manufacturers See Efficiency as Prerequisite for Survival

PRODUCTIVITY, or output per man hour, has been a preoccupation of European and U.S. car manufacturers faced with devastating competition from Japan, overcapacity and inflation. Greater efficiency is seen as the prerequisite of survival.

The productivity gap between Japan and the rest of the world is difficult to define precisely, but if the total number of cars produced is divided by the work force, Japan has been making more than twice as many cars per man a year as the European car industry.

Taking into account higher U.S. labor costs, the U.S. government estimated last year that the Japanese could offer cars for sale in the United States for \$1,500 less per unit than it cost its own industry to make an equivalent vehicle.

There is also a productivity gap between the United Kingdom and Continental Europe. This was revealed in 1981 in a comparison between Ford output per man in West Germany and Britain.

The factory at Saarlouis was producing 1,200 Escorts a day with 7,700 workers, while the Halewood plant on Merseyside was making 800 Escorts a day with more than 10,000 workers using similar equipment.

German productivity, therefore, was double that of the British and though German labor costs (wages plus benefits) were twice as high as well, the

total cost of producing the Escort in Germany was around \$1,000 less.

Ford, in fact, has announced a four-year "after Japan" program of measures designed to close the gap. These include more flexible working practices and easing of demarcation lines: substantial demanning, with the British workforce being cut by 40 percent, or 29,000; and high investment in modern automated equipment, including robots.

Other manufacturers have announced similar plans, emphasizing that the way to improved productivity must lie in slimmer and more adaptable work forces and the greater use of machinery that will not only eliminate jobs but do the work more quickly, more reliably and to a higher standard.

There is a broad correlation between manning levels and the state of labor relations and industrial success. The most successful car industry of the last decade, the Japanese, has not only employed fewest workers in relation to vehicles produced, but has been virtually free of strikes.

The strongest European car industry, the West German, has enjoyed a greater degree of industrial peace than its Continental rivals. The decline of Britain as a car making nation, on the other hand, has been very much associated with overmanning and a poor strike record.

Several explanations have been offered for Britain's chronically bad labor relations, such as the large number of trade unions, the insecurity produced by stop-go economic policies and, not least, insensitive management. The last few years of recession and high unemployment have produced a dramatic reduction in working days lost through strikes, though it remains to be seen whether this will prove to be a lasting phenomenon.

Some commentators have suggested that the stability or instability of labor relations stems from an underlying attitude that workers adopt toward their employers. In Britain, the unions have preferred an adversary role, rather than taking part in the forms of industrial democracy, such as worker representation on management boards, that are often cited as a reason for industrial harmony in West Germany.

As for Japan, there are, probably, cultural differences that cannot be reproduced elsewhere: the worker feels a basic loyalty to his company even if he does not always agree with its policies.

The issues of labor relations and investment are inextricably linked. To make efficient use of the latest automated equipment, a company may have to insist on shedding workers and this in itself may further inflame an already delicate situation.

Before an investment decision is taken, the often

enormous cost of installing new equipment must be weighed against the likely saving in wages and benefits.

Automation has been gathering momentum in plants for several decades but it has been given a new dimension recently by the robot.

Strictly defined, a robot is a mechanism that can programmed to perform a complex series of actions over a variety of processes. But the popular conception of a sort of mechanized human being with motile controllable arms and legs is not far off.

A robot can not only take over the tasks performed by humans but it does not tire nor make mistakes. Robots can raise quality as well as productivity.

For some people, the first real intimation of introduction of robots in car plants was Fiat's introduction of its Strada model in 1978 that featured advertising campaign with the slogan "hand built robots." There have been many more reminders of robot revolution since, not least at Halewood Longbridge in the United Kingdom.

The first car manufacturer to install robots probably General Motors in the United States in late 1960s, but it was the Japanese who came to them more extensively than anyone else.

Stung by Japanese competition, automakers in

(Continued on Page 11S)

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AUTO INDUSTRY

Spain's EC Bid Could Jeopardize Exports

HEAVILY protected by tariffs but able to sell its vehicles more or less freely abroad, the Spanish car industry has become almost as controversial as the Japanese. Matters could come to a head over Spain's application to join the European Community.

At the moment, Spanish-built cars exported to EC countries carry a duty of only 4 percent, while EC manufacturers trying to sell in Spain must pay 36 percent. Spain negotiated these favorable terms in 1970 when its car industry was at a formative stage and more in need of protection than it is now.

Among persistent critics of Spanish trade policy has been Sir Michael Edwards, who has just relinquished his job as chairman of BL. He has claimed that the company could sell 20,000 Metros a year in Spain, given equal treatment with Ford's Valencia-sourced Fiestas, which enter Britain in large numbers paying the nominal 4 percent.

The argument will be revived, perhaps with even greater force, when General Motors starts shipments next year of its new "supermini," the Corsa, which is being built at Zaragoza. Last week Britain's Transport and General Workers' Union said it would use its industrial strength in the docks, road transport and the motor industry to impose controls on importing foreign-made cars. The union's general secretary, Moss Evans, said there would be a "total handling ban" on the Corsa until Vauxhall, GM's subsidiary in Britain, began building the car. However, the company has said it has no plans to assemble the model in Britain, although the possibility could not be ruled out if the market improved.

Sir Michael has suggested that unless Spain agrees to reduce its tariff on imported cars, Britain should retaliate by imposing quotas on Spanish vehicles. Since Ford has been send-

ing up to 69,000 Spanish-built Fiestas to Britain a year, and Ford is itself a major British producer and exporter, such a step seems unlikely.

The British government has, however, indicated that its support for Spain's application to join the European Community could depend on a positive response over the tariff issue.

Spain hopes to become a member of the EC in 1984, though this may be optimistic and the feeling is that it could be at least a year after that. Whenever it happens, Spain will be faced with the prospect of having to dismantle its protective wall completely to fall in line with EC policy, which is why it is hoping to negotiate a phased reduction in tariffs, over perhaps seven to 10 years.

Since Spain is bidding to become Western Europe's fourth biggest car producer, after West Germany, France and Italy, such a plea may not receive much sympathy. In 1980, for the first time, Spain made more

cars than the United Kingdom (1.03 million against 929,000) and though last year saw a falling back to 855,000, the new GM plant at Zaragoza should more than compensate.

Imports Rising

Despite the tariff penalty, car imports into Spain have been rising, from 36,000 in 1980 to 50,000 last year. Mercedes, Volkswagen and Ford itself are among the leading makes sold. But set against a total market of just over half a million cars, the import share is still modest and at the moment, at least, the only way to be sure of competing in Spain is to manufacture there.

Four out of five "Spanish" manufacturers are, indeed, foreign companies: Talbot, Citroën, Ford and the Renault subsidiary, Fasa. General Motors is joining them this autumn, making five out of six.

— PETER WAYMARK.

Widening Success of Imports Troubles Detroit

(Continued from Page 9S)

We publicly expressed "guarded" optimism and privately expressed more severe views.

John Hammond, manager of Data Resources' U.S. automotive service, said: "The downside risks continue to be substantial, both in terms of solvability and magnitude. Interest rates are the key."

In fact, "the recovery is just around the corner," "prosperity is only six months away," and even "the recovery is in the mail" have alternately placed "the check is in the mail" as an almost gallows-humor version of the "great lie."

Still, progress has been made. The plants closed during the current automotive recession have been the least productive. There seems to be, finally, a real commitment to producing "quality" products.

The automakers also have sought help outside their own doors. New contracts with the United Auto Workers union have helped to stem the tide of rising labor costs and created at least a facade of cooperation.

They also have lined up outside talent to help with future product programs. GM's plan to form a joint venture with Toyota for small-car

assembly at a couple of GM plants currently closed is just one example. Opinions on the long-term impact of such an arrangement are split. Maryann Keller, Paine Webber Mitchell Hutchins vice president and auto analyst, caused quite a stir earlier in the year when she said the pending GM-Toyota deal was positive and reflected good management at GM. GM's equity issues performed quite well for several days.

Arthur G. Davis, Prescott, Ball & Turben auto analyst, said, "The new front-drive Corolla, which will be the vehicle in the deal, is state-of-the-art technology."

"GM saw nothing in its own stable to match it and decided to go this route to get the technology to its dealers."

Mr. Davis said that this arrangement and current domestic-make pricing policies make it clear the U.S. makers are moving away from the low-priced small-car end of the market in favor of the higher-margin, upscale models.

He said, "Detroit's pricing policies are relinquishing the econobox market to the Japanese."

"That means the imports could be taking as much as 40 percent of the total U.S. market in two years or so."

"It also means the domestic makers are moving their capacity in that direction, the upper econobox segment, and the whole world is moving into that market. The result could be a price war in that segment like the one in the low-end."

GM also has a deal pending with Suzuki for small-car trade, although not necessarily for the U.S. market.

Chrysler is depending on its trading partners, Peugeot and Mitsubishi, for small-car technology and in some instances products. AMC is depending heavily on Renault technology and the Alliance, the North American version of the R5, is the linchpin in AMC's recovery program.

Despite the view of some experts that Detroit must purchase small-car technology because it cannot develop it soon enough to satisfy market needs, the automakers are making progress in other areas of technology.

On-board electronics for engine control, diagnostic electronics and robotics are areas where the U.S. makers are focusing their attention. The Reagan administration's laissez-faire attitude toward new safety and emissions regulations has allowed Detroit to divert funds to certain product enhancement areas that are thought to improve product desirability and therefore competitiveness.

PETER WAYMARK is a writer for the London Times who until recently was the motoring correspondent for that paper.

EDWARD LAPHAM is financial editor of the Detroit-based publication *Automotive News*.

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Rationalization was desperately needed. PSA developed a policy of horizontal integration with other automakers, while at the same time putting its own house in order. It signed a major engine collaboration deal with Fiat of Italy and entered into engine supply and joint car collaboration with Chrysler in the United States. It has discussed joint ventures with Mitsubishi of Japan.

France's PSA Group Maps Comeback

By Richard Feast

THE Ciroën BX, French star of this week's Paris auto show, is far more significant than being merely a new car. It is the first of the truly new generation models to emerge from the troubled Peugeot group (PSA) since its creation nearly four years ago.

PSA plans its comeback in the French and European automobile industry on the merits of cars like the BX. While indications are that the sales recession is bottoming out and that PSA is over its worst nightmare, the group is emerging into a world where the opposition is a great deal leaner, fitter, wiser and hungrier. A great deal hinges on the success of the new Ciroën.

When Peugeot, which already controlled Ciroën, took over the old Chrysler-Europe interests in 1978, it created the biggest sales force in Europe.

But from enjoying nearly 18 percent of Europe's 10 million-plus car market at the time, PSA has slipped to little more than 13 percent on a 9.7 million market. Worse, it was overtaken as European market leader by its arch rival, the state-owned Renault group.

Part of PSA's problem stemmed from having too much of everything: components, models, manpower, capacity, dealers. As sales vanished in the worst recession in postwar years, the group gradually found that adding two and two amounted to three.

Early plans for a three-pronged Peugeot, Ciroën and Talbot (Chrysler) attack on the market were quickly abandoned. Talbot disappeared as a company, to be merged with Automobiles Peugeot (AP). Ciroën, however, was left largely as a separate division but, as the latest model indicates, it made a major step closer to the parent group.

Joint Ventures Started

Rationalization was desperately needed. PSA developed a policy of horizontal integration with other automakers, while at the same time putting its own house in order. It signed a major engine collaboration deal with Fiat of Italy and entered into engine supply and joint car collaboration with Chrysler in the United States. It has discussed joint ventures with Mitsubishi of Japan.

PSA is now much more efficient and could even be in profit next year.

One of its aims is to retake the lead in the French new car market

The talk is not of mergers. PSA has learned the hard way that big is not necessarily beautiful. Rather, it is of pooled resources, which will enable rival groups to share the cost of designing and manufacturing expensive components like power plants.

At the same time, the different design paths chosen by AP and Ciroën are pulled together. The BX is the first indication of the extent of this.

The car is evidently still a Ciroën. The style and mechanical specification mean it could hardly be anything else.

But beneath the skin it is a PSA car. The engine and gearbox are shared by other makers, and company officials do not seek to hide the fact that the floor pan, the chassis, will appear in other group products. This is widely believed to be a reference to the Peugeot 205, which will debut at next spring's Geneva auto show.

Even Ciroën's unique hydro-pneumatic suspension on the BX can be substituted by the more conventional metal springs that practically all other automakers favor.

BX Less Complex

Further, the BX is the first Ciroën to be production-oriented. In the past Ciroën's production people were almost given what the design and styling people had decided and told to manufacture it. Now, apart from many other important technical advances, the BX contains fewer parts, needs fewer welds and is far less complex to produce than any previous equivalent model from the company.

It will make the BX cheaper to manufacture, and thus more profitable.

Certainly PSA needs to do all it can to curb losses, which amounted to 3.5 billion francs in 1980-1981. It was caught on all fronts, by falling sales, investment in new models (BX and 205) and plant renovations (diesels and turbocharged gasoline engines). It all created greater showroom traffic, and allowed Renault to weather the sales recession better than most volume automakers. More recently, though, its executives have been sounding less confident about the future.

Both groups, accounting for nearly three-quarters of all domestic sales, were poised to take advantage of the unexpected surge in demand for new cars. While this subsequently slowed, the country remains the one major European market to show any growth this year.

Buying Pattern Changing

However, a number of factors prevented Renault and PSA from benefiting fully. Renault, Ciroën and Talbot were hit by industrial

disputes. They merely served to underline another change in French buying patterns.

While French companies were short of stock, at a time when demand was good, customers turned even more to imported cars. Foreign car sales in France have risen considerably in the past two years.

In part it stems from the weaknesses and contradictions of PSA, but it also originates from the financial strength of many importers, notably the West Germans. The country's car makers have been selling hard in export markets, to counter slow home demand.

They have been able to because of an annual inflation rate of about 5.5 percent, which has allowed them to keep down prices. On the other side of the Rhine, French makers battle with 14 percent inflation.

June's exchange rate adjustments will obviously help French makers, both at home and abroad. But the summer package of economic measures, instituted by the government to reduce French inflation to 10 percent by the year-end, was a mixed blessing.

It imposed a four-month block on prices (and incomes) at a time when French makers were planning all-around increases. The great unknown is what all this will do to the French industry's competitiveness when, or if, the measures are lifted after October.

French Market Leaders

(Above 1% Share)

Manufacturer	Jan-April 1982	%	1981	%	1980	%	1979	%
Alfa Romeo	9,826	1.4	24,923	1.4	25,380	1.4	28,741	1.5
BL	8,866	1.2	23,996	1.3	25,359	1.4	30,151	1.5
BMW	11,189	1.6	24,521	1.3	17,239	0.9	15,037	0.8
Fiat	32,626	4.6	82,575	4.5	68,706	3.7	71,759	3.6
Ford	39,907	5.6	101,332	5.5	68,426	3.7	79,279	4.0
General Motors	16,005	2.3	34,667	1.9	33,641	1.8	37,969	1.9
Lada	6,985	1.0	21,628	1.2	14,989	0.8	16,663	0.8
Peugeot SA	236,252	33.2	606,573	33.1	685,318	36.6	747,688	37.8
Citroën	98,717	13.9	260,286	14.2	270,983	4.5	325,399	16.4
Peugeot	92,865	13.1	256,287	14.0	293,461	15.7	258,696	13.1
Talbot	44,670	6.3	90,000	4.9	120,874	6.5	163,591	8.3
Renault	277,051	39.0	713,195	38.9	759,312	40.5	691,544	35.0
VAG	42,703	6.0	122,212	6.7	98,182	5.2	79,942	4.0
Imports	197,437	27.8	514,974	28.1	428,516	22.9	437,110	22.1
Total	710,755	100	1,834,826	100	1,873,202	100	1,976,391	100

Competition Makes 'World Car' Concept Vital

GM, Ford and Renault Pioneer International Manufacture, Marketing

THERE ARE two main options open to car manufacturers striving to operate at maximum efficiency in an increasingly competitive environment: to make more effective use of labor and the latest automated equipment, and to achieve economies of scale by producing their models in the greatest possible number.

The idea of international manufacture goes back far into motorizing history. The Austin Seven had been built not only in Britain but in West Germany, France, the United States and Japan, and the Ford Model T had been sold with the slogan "world car" long before that term took on its current meaning.

In both cases, however, the car was designed principally for its home market and overseas assembly was a bonus. The strategy of setting out to design a car that was intended from the start to be built and sold in several countries did not emerge until the 1960s.

One aspect of it was the decision by Ford to integrate its European operation so that the same models would be produced in Britain as on the Continent, thus eliminating costly duplication in design, engineering and the production of components.

General Motors eventually adopted the same policy, but if one car was acceptable to motorists in Britain, Germany and France, why stop there? What about Africa and Latin America and the Far East?

The opportunities were quickly seized. GM extended its Chevette/Kadett range from Europe to Brazil and, through the Isuzu company in which it had a 34 percent stake, to the United States.

The new Ford Escort, launched in 1980, started as a European car with production in Britain, West Germany and, later, Spain, while a version for the Australian market was made by Ford's Japanese partner, Toyo Kogy

AUTO INDUSTRY

Array of New Models Could Lift West Germany Out of Hard Times

WEST GERMANY'S motor industry, the most powerful in Europe, faces even harder times than it has been experiencing recently.

It balanced this year's serious decline in domestic sales with a continuation of its aggressive and successful export policy, but there are indications that this relief valve is about to blow.

Already, Volkswagen workers have been laid off for two weeks because of the enormous cost of financing existing stocks and last week, after announcing a profits slump in the second quarter and ruling out any hope of a quick recovery, VW said production at its main plant at Wolfsburg would be halted for three weeks later this year.

It seems inevitable that more of their colleagues from other companies will face the same prospect now that orders from abroad have plunged and home market demand looks set to decline further in the face of growing political and economic uncertainties.

The picture looked better until the summer. Passenger car output rose 16 percent in the first half of this year to 2.1 million. In the same period domestic sales slipped 6 percent to 1.25 million, but pessimists are now predicting year-end sales of only two million. Even the optimists speak of only 2.1 million, compared to 2.33 million last year, and a peak of 2.62 million four years ago.

To counter the shortfall, West German exports rose by a quarter to 1.29 million in the first half of this year. Much of the demand was European, and German products made big inroads into the other major national markets, France, Italy and Britain.

But Volkswagen, the chief ex-

porter in terms of numbers, was stung by the big drop in U.S. sales and has identified a softening elsewhere. By contrast, quality car makers like Mercedes-Benz, BMW and Porsche experienced exceptional U.S. demand, seemingly impervious to the unfavorable exchange rate between the Deutsche mark and the dollar.

New Models Appearing

However, the array of new models that the industry is introducing could not have arrived at a better time. They will add impetus to flagging sales. The program includes two of the major newcomers at the Paris auto show, the Audi 100 and the Anglo-German Ford Sierra.

Toward the end of this year there will be a new, small Mercedes-Benz, the 190/190E. It takes the company into a fresh market category and will have a major impact on the opposition. It will be followed shortly afterward by the four-wheel-drive Audi 80 and BMW's replacement for its 3-series.

The arrival of all these models in broadly similar segment would have left GM's contender, the Opel Commodore, very exposed. As a result, a heavily revised model has been brought forward and will be introduced in November.

A pointer to the future of the West German industry comes, perhaps, from another newcomer, Opel's Corsa, which plugs a serious gap in the company's model lineup. It is being made in a highly automated factory in Spain.

Opel is following Ford in sourcing small cars for the European market from an area where labor costs are lower than in other industrialized nations. With profit margins on baby cars so small, it is

vital to produce them as efficiently as possible.

Neither does the Spanish connection end with the Ford Fiesta and Opel Corsa. Volkswagen is negotiating with the Spanish automaker Seat, and an announcement is expected shortly whereby Seat will begin manufacturing the small Polo/Derby models.

Such an arrangement would help the troubled Seat, which would obtain modern, competitive models for its domestic market. But it would also benefit VW by giving it a proper presence in a market which is expected to show the biggest growth potential in Europe. More importantly, the Seat-made VWs would be sold in the rest of Europe through the German company's existing network.

While the Germans seem happy to sell small, Spanish-made cars, it is noticeable that none of the deals so far embraces the higher quality, top technology models that have been the mainstay of the German success.

Quality Sells

There are more customers for upper-medium and upper category cars in Germany than anywhere else in Europe. It is evident in the fact that the mid-range Mercedes-Benz and BMW 3-series outsell baby cars like the Polo and Fiesta. And German buyers, widely regarded as the most discriminating in Europe, seem to trust only products of their own country.

Even the German buyers' flirtation with Japanese products seems to have been broken off. Japanese sales rose to 11 percent of total in next to no time, but they now account for about 9 percent. At the same time, German companies have led the exporters in Japan, accounting for 80 percent of the (admittedly low) foreign sales there.

West German Passenger Car Production

Manufacturer	1981	1980	1979	1978	1977
BMW	337,757	330,087	328,281	311,793	284,771
Daimler-Benz	449,010	438,829	433,203	403,707	409,090
Ford*	486,917	419,517	546,957	544,160	542,750
Opel	810,158	784,663	960,243	952,656	922,304
Porsche	31,734	28,622	36,001	36,879	36,130
VAG	1,462,231	1,517,216	1,627,861	1,640,981	1,595,499
Audi	311,671	285,052	323,395	295,000	317,928
Volkswagen	1,150,560	1,232,164	1,304,466	1,343,981	1,277,571
Total	3,577,807	3,520,934	3,932,556	3,890,176	3,790,544

*Does not include Genk (Belgium)

Some German automakers attribute the check in Japanese sales to the buyers' realization that Japanese cars do not have the lasting qualities of the domestic product, with the inevitable effect on resale values.

There seems little doubt, though, that another reason is the German industry's quick reaction to the Japanese advance. German products are now much better equipped and better value for money. At the same time, Japanese imports are less competitively priced as a result of exchange rate changes.

But what really irks many in the German industry is the suggestion that the Japanese produce cars more efficiently than they do. In some cases it is true, because of the more mature nature of the industry, but any visit to Daimler-Benz, VW or BMW will produce an endless string of managers insisting that German production technology is every bit the match of Japan's.

Emphasis on Flexibility

Some examples include the use of assembly robots at Daimler-Benz. Opel's flexibility in making diesel or gasoline engines on the same lines, and the body assembly that lost considerable domestic sales, freely admits, it wants to move from its present gray area between the mass makers and the quality car producers. The only way is up.

Allowing for Robots

The second case is that demand for cars will grow sufficiently to enable robots to produce more vehicles with the same work force.

— PETER WAYMARK

Polo and Derby models on the same lines.

Factories that do not have this ability to adjust to changing market demands will be the first to suffer in another major recession.

Along with these advanced production techniques comes the high engineering excellence of the products themselves. Indeed, the two companies with the best reputations, Daimler-Benz and BMW, managed to lift output when rivals were laying off employees in the worst of the recession.

The lesson was not lost on the volume producers. In future they too will be placing even greater emphasis on engineering and quality.

Audi, a part of the VW group that lost considerable domestic sales, freely admits, it wants to move from its present gray area between the mass makers and the quality car producers. The only way is up.

It is leading a four-wheel-drive revival for cars. Its new 100 sedan has the best aerodynamics of any production car in the world. It features wind-cheating, flush-fitting side glass, said to be a first. It is lighter even than its predecessor, which adds up to notably good fuel economy.

Ford's Sierra, too, has a slippery shape. Mechanically, it may not be much removed from previous Fords, but in reality it is a quantum jump.

The German industry in general has paid handsomely for these results through massive investment. It plans to stay at the head of the pack with annual spending on plant and products to the order of \$3.2 to \$4 billion.

It will inevitably lap some of the slower runners.

— RICHARD FEAST

'Fuel Revolution' Continues

(Continued from Page 9S)

300,000 and a half million turbine cars could be in production in the early 1990s.

By using the latest ceramics, developed during the space programs, Ford has been able to raise combustion temperatures and improve efficiency.

Predictions based on the split-torque automatic transmission used in the U.S. version of the Escort are for 60 percent better fuel economy than is at present available. Another advantage of the gas turbine is that it can run on several fuels, liquid or gas, and is not, therefore, dependent on oil.

On the future of the electric car, manufacturers are still pessimistic.

The difficulties stem from the state of battery technology. Even the most advanced batteries are heavy and bulky, give a limited range and take several hours to be recharged.

Ford has pointed out that it takes 700 times longer to fuel an electric vehicle than to fill a tank with gasoline.

Also, studies by the Electricity Council in Britain have suggested that, when battery life is taken into account, electric vehicles are up to six times more expensive to operate than gasoline-powered cars. At the moment, the electric car seems to be limited in its application to short trips around town.

On other possibilities, Brazil has successfully introduced cars powered by alcohol, taking advantage of its ability to grow two sugar cane crops a year for the large-scale production of ethanol.

Elsewhere methanol, which can be made from coal, wood, sewage and certain waste materials, has been used, especially as a gasoline extender. Up to 15 percent of alcohol can be added to gasoline without significant engine changes being necessary.

The Debate in Japan: Can the Giant Keep To Expansion Course?

By Jon P. Bird

The Japanese automotive industry, which manages to keep on rolling despite growing international tensions and ever-stiffening trade barriers, is a powerful collective economic force to be reckoned with in world markets everywhere.

Last year, Japan's 11 automobile and truck makers exported 6,048,447 vehicles, 3,949,542 cars, 2,017,521 trucks and 84,384 buses. These figures compare with slightly under 6 million units in 1980, and only 4.5 million units in 1979.

Red Ink Danger

The Mitsubishi Motor Corp U.S. connection is Chrysler, which owns a 15 percent share of the Japanese firm, purchased in the heyday days when the Chrysler Corp was strong. MMC, backed by a powerful Mitsubishi group, now ranks fifth among Japanese automobile and third among truck producers. MMC took over Chrysler's Australian subsidiary, and uses the captive import system in the U.S. through Chrysler to develop brand recognition. This means MMC can now open up its own marketing channels as well as continue to Chrysler links overseas.

Front-Wheel Components

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The Mazda line of automobiles, most drowned in its own red ink during the oil shock of the mid-1970s, when it was trying to sell fuel-thirsty rotary engines. Fortunately, the Sumitomo Group stepped in to save TK, giving it a firm time to introduce other rotary engines cars like the Familia GLC/323 and Capella 626, which have done well in world markets.

Under the Nissan corporate umbrella are Nissan Diesel and Fuji Heavy Industries, makers of the Subaru line.

The leaves the major independent — Honda, Isuzu, Mitsubishi and Toyo Kogyo — with survival problems of their own. Honda may be the only real loser in this group, but it is aggressively pursuing overseas markets on its own. Honda's links with British Leyland in building the BL Bounty, inspired by the Honda Civic sedan, gives the Japanese firm access to the European market. Honda's U.S. plant in Ohio is ready to start producing Accords for Europe, and Honda also has a tie-up with Daimler-Benz in South Africa.

Consolidation in the home market

Efficiency: Key Factor in Productivity Battle

(Continued from Page 9S)

United States and Europe have been forced to follow suit and the rate of robotization has accelerated dramatically. In 1980 GM had 425 robots in its plants, and in 1981 1,200, with nearly 4,000 more on order. By the end of the 1980s it plans to have 14,000. Ford in the United States has 500 and expects to install 2,400 by 1985.

In Europe, Fiat was soon joined by Renault and Volkswagen. All three consider robots sufficiently important to manufacture their own. For the introduction of the 9

Once again, in 1981, we had a good balance sheet.

Of itself, it provides only a relatively scant picture of the results achieved by our overall policy. But for those who have observed our activities over any length of time, it represents a confirmation of that overall policy, based on continuity and security for the future.

It is precisely in difficult times — and none of the past few years has been easy — that a company such as Daimler-Benz must think, plan and operate on a long term basis, bringing together two seemingly contradictory principles.

One is a steadfast and persistent adherence to the traditional principles of first rate technology, quality and serviceability, safety, durability and comfort; it is these that give our clients the confidence in our products that is the key to our long term success.

The other, however, is our active, forward-looking examination of changing conditions and new discoveries: we must and will find solutions for the future, in areas such as economy, reduction of pollution, the achievement of new markets.

Both are rightfully expected of us.

Market success based on a highly competitive range

In a difficult year for the automobile industry, we managed to increase our car production from 429,078 to 440,778 units. Our marketing successes — or so we believe are based on our highly competitive production ranges and our worldwide customer service organization. The Mercedes-Benz "Energy Concept" has given us a considerable lead in fuel economy, enabling us to cut the fuel con-

sequences for the motor industry, robots will have profound consequences for the motor industry and its manning levels.

There are three possibilities. One is that a dramatic increase in the demand for cars in the later 1980s and beyond will allow companies to introduce robots and increase their work forces. Such a prospect appears highly unlikely.

General Motors believes that the number of man hours required to produce a car can be cut by half through automation; and the International Metalworkers' Federation has estimated that GM could require 60,000 fewer workers by 1990 than it did at the start of 1980s.

— PETER WAYMARK

DAIMLER-BENZ AKTIENGESELLSCHAFT

Consolidated Balance Sheet (summary)

	31st December 1981	31st December 1980		
ASSETS	DM Mill.	DM Mill.		
Fixed assets	5,790.9	4,479.9	Proprietary capital	6,266.0
Net Current assets	14,321.3	12,723.5	Debts/liabilities	13,846.2
Balance sheet total	20,112.2	17,203.4	Balance sheet total	20,112.2

Consolidated Profit and Loss Account (summary)

	1981	

AUTO INDUSTRY

Ford of Britain Banking Heavily On Success of New Sierra Model

TOWHERE in Europe does Ford sell as many cars as it does in Britain. Last year the total was 235,000, or almost one in three of all cars.

In medium range Cortina, or minus, now replaced by the sleek Sierra, was the No. 1 seller, as was for most of the past decade. The importance of the Sierra to Ford of Britain cannot be over-emphasized. In earning terms it is the most important car in the company's model lineup. Ford is looking at the same sort of numbers with Sierra as it achieved with Cortina, allowing it to maintain its impressive profits record of recent years.

Ford of Britain is one of the few in the company's somewhat diminished worldwide crown. On a face of it, its money-earning Ford would tend to scratch the common notion that the country is a really a good place to make car cars these days.

In truth, it is not. But it is a good place to sell cars, as the high level of imports, nearly 60 percent, indicates. Companies like Volkswagen-Andi, Volvo, BMW and Mercedes-Benz have shown strong, consistent growth in Britain, attracted by the high retail prices at which they were established in better times by a stronger domestic industry.

Ford's dazzling succession of cars, as good and consistent as they are in Europe, were achieved by cars it sells in Britain rather than those it manufactures there. All of all new Fords are from the company's more efficient factories in Germany, Belgium, Spain and the Republic of Ireland.

Other British volume makers, including General Motors' Vauxhall

and Peugeot's Talbot, followed a similar European sourcing policy, though they have signally failed to make money. BL, the state-owned group which does not have the luxury of tied imports, is still one of the auto world's great money losers.

Specialists Also Hit

Even the small, specialist automakers, of whom there are several in Britain, are finding the going tough. Rolls-Royce, whose customers one would expect to be immune from the recession, has suffered a drop of more than a third in domestic registrations.

This continued low level of domestic demand, where the vast majority of sales are made, means the year-end output will be below one million for the third successive year. However, in the short term the arrival next spring of a new generation of cars from BL's Austin Rover division may improve matters.

Ironically, the one event that did promise to change the industry's international standing, Nissan's now "suspended" auto plant in Britain, was largely opposed by the established makers. They identified the program as an assembly one, with few prospects of local orders for the decimated components industry and with every likelihood of making their own factories appear less competitive.

Thus Ford and BL are the only true volume automakers in the country. Vauxhall and Talbot are little more than assemblers for the home market.

Talbot, formerly Rootes and Chrysler-Europe, assembles vehicles from French components. It is

British Passenger Car Production

Manufacturer	1981	1980	1979	1978	1977
BL	413,440	395,820	503,767	611,624	639,236
Delorean	7,409	—	—	—	406,640
Ford	342,171	342,767	398,694	324,428	—
Lots	345	384	1,031	1,196	1,092
Reliant	89	582	876	832	2,392
Rolls-Royce	3,087	3,108	3,343	3,328	2,860
Talbot*	117,439	125,314	102,977	196,456	169,468
TVR	164	144	308	312	364
Vauxhall	69,932	55,002	58,765	84,032	93,236
Others	574	623	691	728	767
Total:	954,650	923,744	1,070,452	1,222,936	1,315,694

*Formerly Chrysler UK, until acquired in 1978 by Peugeot SA.

a shadow of its former self, and its future is dependent on the potentially lucrative on-off-on deal to supply components kit of defunct models to Iran. Given the volatile nature of Iranian business and politics it is a shaky prospect.

Figures released recently by the Society of Motor Manufacturers and Traders showed that Talbot's

output slumped by more than 63 percent in the first half of this year, enough to wipe out improvements by BL, Ford and Vauxhall, and bring the U.K. total down from 491,178 in the first half of 1981 to 465,846.

Certainly Talbot's parent group,

whose share of the European market has shrunk even more quickly, does not need the British manufacturing capacity.

Vauxhall Looking Up

By contrast, Vauxhall has

looked more healthy lately. GM's market share, including products from its West German Opel concern, has jumped three points in the space of a year, mainly on the strength of its Cavalier (Ascona). It is a picture that is common across Europe, where Opel has made large gains.

Vauxhall imports models from Opel factories in West Germany and Belgium. Soon it will be importing cars from a new Spanish factory as well, a move that could trigger a major union/company row.

The Spanish car is the Corsa, GM's first true competitor in the Fiat 127/Renault 5/Ford Fiesta super-mini category.

Vauxhall's one proper manufacturing job is the old Chevette, a

low volume model that fits into a similar category.

Vauxhall denies that the arrival of the Corsa will mean the demise of the Chevette, but Vauxhall employees have seen the way GM's global planning has gone recently and are anxious about their future.

Ford already imports both its

Fiestas from Spain, and sourcing from Spain has become a sensitive issue.

What irritates BL is that it cannot sell in the essentially closed Spanish market, while goods from Spain have no restrictions on their volume. However, the picture may change with the country's membership of the Common Market in the mid-1980s.

BL has little prospect of getting back on target until the arrival next spring of the first of the LC10 generation of cars. BL's Metro and Acclaim (a Honda clone) sell well enough, but it needs a big volume model in the Escort/Astra range.

Its more specialist Jaguar and Range Rover remain in remarkably good demand, but whatever their gains, they are not enough to offset Austin Rover volume losses.

Another factor causing all makers concern is the substantial growth in private imports. The traffic has been hastened by the high retail prices in Britain and much lower prices in Belgium and

make cars again.

For those who have perceived the traditional large Volvo as a somewhat tank-like vehicle, the 760 will come as a pleasant surprise.

Lower, wider and slightly shorter than the 264, it has a distinctive wedge shape with sloping hood and sharply angled windshield. The near-vertical angle of the rear window with the trunk is an unusual piece of styling which helps the aerodynamics of the car.

The turbocharged diesel version, using a six cylinder Volkswagen unit, is as smooth and quiet as any diesel on the market, beats nearly

all of them on performance and returns excellent fuel economy.

The 760 arrives, however, at a time when sales of large cars have been falling away alarmingly and however good it is, Volvo may not reap the full reward from it. That is why its second model line, the 900 was a useful holding operation, but even the 900 is several years old.

Where Saab has scored is in being the first manufacturer to grasp the opportunity of turbocharging as a means of increasing performance without a proportionate penalty in fuel consumption.

The 900 turbo has accounted for up to one third of all Saabs sold and almost every manufacturer, big and small, has paid Saab the

same as in 1980 and meant that the

company was again operating at only two-thirds of capacity.

Without the resources to devote to frequent model changes, Saab has had to make the best of an old design. The stretch of the 99 into the 900 was a useful holding operation, but even the 900 is several years old.

Both companies, too, are hampered by their size. Even counting Volvo's Dutch operation, they can muster a combined capacity of only half a million units. This is not nearly enough to reap the economies of scale, in design and manufacture, that are avail-

able to a Renault or a Volkswagen.

Nor can Saab and Volvo afford to change their models as often as they would like. Both the Saab 99/900 and the big Volvo go back to the 1960s, though the latter will gradually be phased out in favor of the 7 series launched earlier this year.

A total of 258,000 cars was produced in Sweden last year, an improvement on the 235,000 of the previous year but still well below the 317,000 made in 1976. Volvo managed to increase its output by 22,000 to 192,000 and had a good year in the United States, but Saab production, at 66,000, was the same as in 1980 and meant that the

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Taking over the former Daf car

operation has proved a mixed blessing. There were serious teething troubles with the car and it ran up such losses that the Dutch government was forced to step in and increase its stake from 45 percent to 70 percent.

—PETER WAYMARK

Fiat's Turnaround In Sales Brightens The European Scene

By Sari Gilbert

AGREEMENT is hard to come by in Italy, but at present there is an undisputed consensus that a turnaround at Fiat, the giant Italian automobile maker, is the biggest success story around, all the more so since it has taken place against a background of general recession in the Western European car market.

After several years of losses, brought on by management errors, trade union troubles and a decline in product quality that has led some English-speaking wits to claim Fiat stands for "fix it again, Tony," the world's eighth largest car manufacturer is once again riding high.

The company is back in the black with admittedly small net profit but rising from \$1 billion in 1980 to \$7 billion in 1981, and recent months have provided a plethora of encouraging signs, like a 21 percent increase in sales in 1981 and a 6 percent rise in exports.

Investments have increased significantly and productivity, which for a time had sunk far below Japanese and European standards, recently climbed 20 percent to respectable levels.

Meanwhile, the motor industry is lobbying hard for the abolition of the special car tax. But many top auto industry executives believe it is too valuable an income for the exchequer and abolition is an impossible dream.

—RICHARD FEAST

the Autobianchi A-112 and the Lancia Delta, also belong to the Fiat stable. July was an unprecedented boom month, with Fiat's share of the market at 35.3 percent, equal to 82,770 cars.

All this has understandably led to a certain amount of optimism. Gianni Agnelli, chairman of the Turin-based conglomerate of 460 companies in 60 countries, admits that recovery is not total and has predicted that 1982 would be a difficult year, but he recently appeared sanguine about Fiat's prospects.

"The difficulties of the future do not find us unprepared," he told shareholders at the annual meeting this summer.

"Fiat emerges strengthened from the trials of the past; more solid financially, more innovative in its products, more aggressive in commercial penetration."

Changes Paying Off

The fact is that in the aftermath of the slump that followed hard on the 1973 oil crisis, a series of changes in production, management, design and labor policy appear to be paying off. In the latter field, the high point of the company's last ditch attack on falling productivity and soaring absenteeism came in the fall of 1980 when the company withheld a seven-week strike that collapsed, when 40,000 mid-level employees took to the streets in an unprecedented bid to return to work.

By withstanding the strike, Fiat won the right to lay off 23,000 excess auto workers and as part of a broader plan to reduce total employment to a minimum, thousands of other workers are being kept on a rotating short-time schedule. The company's aggressive labor policy has also had the effect of sharply reducing absenteeism, with the result that productivity has risen sharply.

Changes in management and production methods have also had far-reaching effects.

In the late 1970s the company was reorganized into a holding company, managing 11 subsidiaries and in 1980 new men like Cesare Romiti, managing director, Francesco Paolo Mattioli, general manager, and Vittorio Ghidella, auto chief, were moved into the top slots, bringing about a division between ownership and management long desired by Mr. Agnelli.

Sweden Stable, but Remains Vulnerable to Hazards of Export Market

AFTER FIGHTING for its life during most of the 1970s, the Swedish auto industry seems to have entered a more stable period.

But Sweden's population of only eight million is too small a home market to guarantee a firm base and this means that the car industry is forced to sell about 70 percent of its output abroad. This makes Volvo and Saab particularly vulnerable to sudden currency changes and the other hazards of selling overseas.

Both companies, too, are hampered by their size. Even counting Volvo's Dutch operation, they can muster a combined capacity of only half a million units. This is not nearly enough to reap the economies of scale, in design and manufacture, that are available to a Renault or a Volkswagen.

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—PETER WAYMARK

GMC S-15 BUCK SKYHAWK OLDSMOBILE NINETY-EIGHT REGENTY CADILLAC FLEETWOOD BROUGHAM PONTIAC 6000 LE CHEVROLET CAMARO Z28-E

There are two very exhilarating ways to enter the World of Motion. One is to come to Walt Disney World's exciting new EPCOT Center, recently opened in Florida, U.S.A. There, you'll discover the huge Transportation Pavilion, presented by General Motors. It's an informative overview of the

history of transportation, an entertaining display of advanced technology—and a thrilling trip into the future. The other way to enter the World of Motion is to see your authorized dealer for General Motors North American vehicles, wherever you live. There, you'll discover the same advanced technology, as it is applied to the building of modern

American luxury cars and trucks. GM's newest offerings are designed with sensible engineering, sleek aerodynamics, efficient engines and stringent safety standards. They are assembled with the aid

INTERNATIONAL BUSINESS / FINANCE

THURSDAY, SEPTEMBER 30, 1982

WALL STREET WATCH

By EDWARD ROHRBACH

Making Big Money in Stocks:
A Science or an Artful Craft?

What does it take to make big money on the stock market? Timing? Luck? Inside information?

Try "artistry." That is the formula Harold B. Ehrlich sees as the edge really successful investors have over the herd.

Mr. Ehrlich is chairman of Bernstein-Macmanus, a subsidiary of Shearson/American Express. An interest-rate specialist, he directs management of \$9 billion, mostly in money market funds. Mr. Ehrlich, also an economist, is a former securities analyst and brokerage house research director.

"Because of all the numbers, the technical data, people think it's a science," he said. "Sure, you have to get a handle on that — Picasso was first a great craftsman. But beyond, where not many are gifted enough to venture, the rewards of Wall Street are for the highly intuitive, the highly artistic."

As for the "numbers," Mr. Ehrlich believes the U.S. economy is in the opening stages of a recovery.

Nothing spectacular — a rebound by the fourth quarter of 3½ percent, only half of what the gross national product grew coming out of the last recession in 1975.

Three main elements, he said, are spurring the upturn: 1) The government's "pouring" of money into defense spending, which will spill over into the rest of the economy; 2) the easing by the Federal Reserve of the money supply, and 3) the impact of consumer spending, especially since inventories are so low ("Americans lucky enough to be employed are relatively flush," he said).

"The economy drives the money supply, not the reverse," he asserted. "Therefore, the money supply will grow."

But the psychological effect of this, Mr. Ehrlich added, will be renewed inflationary fears and concern that the Fed will tighten its screws.

"Good news will be bad news. Interest rates, which have stopped going down, may well bob up again soon and put a cap on the stock market short term."

In December, however, Mr. Ehrlich thinks perception of the U.S. economy will be much cheerier than now. "By Christmas it could well be a rosy picture, with inflation down to no more than 5 percent on an annualized basis and up-ticks appearing in corporate profit projections. Stocks will benefit."

But as the economy gains momentum into the new year, he predicts "ideologues" in the Reagan administration and Federal Reserve will focus on the specter of renewed inflation. "No doubt about it," there will be a tax increase in the first half of 1983, while the Fed moves to restrain the money supply, he said.

"Therefore, I'm very concerned about another recession in the second half of 1983."

Keller's Gloom on Car Sales

For the moment, no one argues with the view that the U.S. economy is still sputtering down the stretch like an old clunker. And Paine Webber's Maryann Keller, the Cadillac of automotive industry analysts, has scaled back her estimate for 1982 U.S. new-car sales.

"They might be as low as 7.7 million," she said. That would be the lowest level since 1958 and compares with 8.5 million cars sold last year.

Most analysts still see 1982 sales around 8 million.

Mrs. Keller, attending the Paris auto show, wants a look at new models being introduced by General Motors and Ford — the "Corsa" and "Sierra," respectively.

GM, put on her abbreviated buy list last May, remains the analyst's No. 1 pick. Praising its "financial and product flexibility," she also likes GM's change in philosophy, which has backed away from the what she called the arrogant assumption that "people would pay anything to own their car." GM's effort to reach agreement with Toyota for using its small-car expertise is an example of the proud automaker's climb-down, she said.

Sabrina America is her only other recommendation. She has touted the stock for nearly three years, while it has sped from \$8 to over \$40 in over-the-counter trading. Sabrina's earnings, she forecasts, will split a share in 1983, up from about \$6.80 this year and \$4.36 in 1981.

Mrs. Keller also follows auto parts manufacturers. Her pick: Long-Dental, because it is undervalued and has "very bright long-term prospects."

Her latest 1982 earnings forecasts: GM between \$3 and \$3.50 a share; both Ford and American Motors losing as much as \$3 a share (though she thinks AMC could earn \$1 a share in 1983); for Chrysler she predicts \$4 in 1982, with all but 70 cents of this coming from extraordinary income. Nimble traders could probably make money on these last two, she said, buying on higher profit expectations, then selling into rallies as the better results are actually reported.

Merrill's Picks for Growth

Merrill Lynch's newly published "emerging growth" stock list features 28 smaller, dynamic companies rated buys for both short- and long-term.

They are Anixter Brothers, Atlas Van Lines, Bowe, Commercial Alliance, Community Psychiatric, Computertronics Systems, Family Dollar, FlightSafety International, Harper Group, Hiptronics, HON Industries, Hunt Manufacturing and Impell.

Also IMI International, International Aluminum, Kelly Services, Kintecare Learning Centers, Lawson Products, L. Luria & Son, Herman Miller, Olsen, SCOCA Industries, Sensorsonic Electronics, Stewart Information Services, Sysco, Tropic Manufacturing, Triangle Pacific and Voh Information Sciences.

Value Line's highlighted stock this week is Mary Kay Cosmetics. A direct selling (door-to-door) company, it sports a high price/earnings ratio but profits are projected up 40 percent this year.

International Herald Tribune

SEC Accuses 2 Santa Fe Officials

Compiled by Our Staff From Dispatches
WASHINGTON — The Securities and Exchange Commission said Wednesday that a director of Santa Fe International made \$27,800 in profits by improperly using secret information of a takeover offer.

On Tuesday, the general counsel of a division of Santa Fe was accused in an SEC lawsuit of using inside information before the firm's acquisition by Kuwait National Petroleum to generate \$787,000 in stock market profits for himself, a friend and relatives.

The Santa Fe merger case is believed to have generated about \$8 million in illegal profits.

The SEC said Santa Fe Director David N. Keaton Jr. agreed to abide by a permanent injunction granted the commission by a federal court Wednesday forcing him to return \$278,750 in profits without admitting or denying the complaint.

The SEC said in court that Mr.

France's Top Automakers Are Undeterred by Losses

By Axel Krause
International Herald Tribune

PARIS — France's two largest automakers — one nationalized, the other privately owned — are showing they do have some things in common: red ink, labor troubles and future expansion strategies.

The nature of our ownership doesn't seem to be playing that much of a role in the present, turbulent state of the industry," an executive of one of the companies said Wednesday. "Things are rough for both of us," he added.

The executive made his comment following announcements by state-owned Renault and Peugeot, a private company, that they expect to report substantial losses for 1982.

Addressing newsmen at the Paris auto show, which will be opened Thursday by President Francois Mitterrand, company executives also reported rising sales for their companies and said they were pursuing expansion programs, amid soaring operating costs.

Bernard Hanon, Renault's president, said he was "guardedly optimistic" about his company's future performance and about the sales outlook for the West European automobile market. Total European car sales will rise to 9.9 million units this year and to a somewhat higher level in 1983, Mr. Hanon said.

Renault's worldwide sales in 1982 will increase to a record 2 million units, compared to 1.8 million in 1981, which means that the company this year may surpass the sales volume of Volkswagen, Europe's leading automaker. Renault executives said.

Although he declined to provide figures, Mr. Hanon said that Renault's losses this year stem primarily from costs of starting up new plants, wage bills, and a substantial investment program.

In 1983, the company plans to invest 8.5 billion francs (\$1.18 billion), a slight increase over this year's investment level, Mr. Hanon said.

In May, Renault reported that it lost 675 million francs during 1981 after having a profit of 638 million francs in 1980.

Company officials said that a monthlong strike last spring at Renault's assembly plant at Flins, outside Paris, would also contribute to the loss. Some industry reports said production of R-5 and R-18 models was down by a total of 30,000 due to the strike.

Outlining Renault's strategy, Mr. Hanon cited development of electronics, automation, use of new materials and continued emphasis on development of diesel and turbo engines. He said the company's aim was to launch one new car model each year, but he emphasized that the market will determine the design of future models.

Gesturing behind him toward a model of a new, experimental car known as the Vesta, Mr. Hanon said that "aerodynamics and materials will play an important role" in future models.

Company officials said that the Vesta, which is being financed 50-50 by Renault and the French government, is a prototype car for the 1990s, aimed at consuming an average of three

(Continued on Page 15, Col. 2)



Bernard Hanon

Ford Ordered to Ease Right-Hand Ban

Reuters

LUXEMBOURG — The European Court of Justice ordered Ford on Wednesday to ease its ban in West Germany on the sale of right-hand-drive cars destined for Britain.

Responding to an appeal by Ford against a challenge to its sales restrictions from the European Commission, the court told Ford in an interim ruling to resume sales in West Germany with specified limits.

Ford had appealed an order from the commission for an end to the sales ban, which the commission said broke the European Community's trade rules and hurt consumers.

The court told Ford it should resume sales of right-hand-drive cars in West Germany that are made to West German specifications. However, it allowed Ford to limit such sales to levels similar to those existing before Ford imposed its ban May 1.

Thousands of British buyers take advantage of cheaper car prices on the Continent. The court's interim ruling will allow renewed access to Ford models in West Germany.

Ford had complained that an end to the restrictions could cause it serious damage. Britain's Institute for Fiscal Studies has estimated that Ford was able to charge a total of £590 million (\$1 billion) more for its cars in Britain than equivalent Belgian prices last year, for example.

The court's interim ruling will be closely scrutinized by other European car companies using similar restrictions to protect higher British car prices.

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BUSINESS BRIEFS

Caterpillar Sees Losses, Slack Sales

PEORIA, Illinois — Caterpillar Tractor expects a third-quarter loss before taxes of about \$120 million to \$140 million, and even greater fourth-quarter losses, it said Wednesday. The company said its overall 1982 sales will be about 30 percent below those of 1981.

Caterpillar said sales for the third quarter would be lower than for the second quarter, despite \$300 million of shipments to dealers made under various inventory plans. The company posted sales of \$1.85 billion in the second quarter.

Caterpillar said more than two-thirds of the third-quarter loss is expected to be offset by tax credits and negative income taxes and added that similar breaks would partially offset its fourth-quarter loss.

It said production schedules and the number of salaried employees will be further reduced. Its capital expenditures for 1983 will be about \$500 million, or \$175 million less than earlier projected.

Bührle Sees No Profit Improvement

ZURICH — Oerlikon Bührle Holding said Wednesday that consolidated profit is unlikely to improve this year, but group sales should rise to 4.1 billion Swiss francs (\$3.8 billion) from last year's 3.9 billion.

Group net profit fell to 24 million Swiss francs last year from 195.9 million in 1980, and the board decided to cut the dividend to 10 percent from 15 percent. Group sales in the first eight months of 1982 were slightly higher than in the same 1981 period, the company said in a letter to shareholders.

Order volume for smaller anti-aircraft weapon systems is reaching remarkable proportions in the military products division, Bührle said. But sales in the machines division will probably decline 20 percent from last year, it said. The company said the automotive division continues to profit from good sales of the Pilatus Aircraft, and the Bally Shoe division is also expected to show a substantial improvement in earnings.

Ericsson Seeks to Buy Part of Facit

STOCKHOLM — L.M. Ericsson, the big Swedish telecommunications company, is negotiating with Electrolux, a Swedish maker of home appliances, to buy its Facit electronics subsidiary, Ericsson said Wednesday. The transfer, which will not include Facit's North American operations, is planned for Jan. 1.

Facit, which was taken over by Electrolux in 1973, produces data systems, microcomputers and other electronic products. Its turnover last year was 1.3 billion Swedish crowns (\$206 million). Ericsson gave no financial details of the transfer.

Electrolux Halts Talks With AEG

STOCKHOLM — Electrolux, the Swedish appliance maker, has broken off talks with AEG-Tekniska on managing AEG's household appliances division after determining that AEG's financial situation was "more complicated than anyone could have foreseen."

Electrolux said earlier this month that it was considering taking over the management of a portion of the AEG household appliances division, not including the subsidiaries Neff Werke, Zanker and Küpperbusch. The German electrical group declared itself insolvent in August and is attempting to restructure its operations.

Toyota, UMW-Malaysia Form Venture

TOYODA, Japan — Toyota Motor and United Motor Works (Malaysia) Holdings have signed an agreement to establish a joint venture company in Malaysia, to be called UMW-Toyota Holdings, to assemble Toyota-designed small cars for sale in Malaysia.

Toyota will own 15 percent of the joint company and UMW 52 percent, with the remaining 33 percent shared by undisclosed government-controlled financial institutions in Malaysia, it said. The company will be capitalized at 50 million Malaysian dollars (\$21.2 million).

Toyota said the new enterprise will purchase four local companies including Borneo Motor, an affiliate of Incheaps (Malaysia Holdings), which now assembles Toyota cars, to take over the business. Industry sources said the new company will produce about 23,000 cars a year in a plant in Shah Alam, the capital of Selangor state.

MIM to Buy Part of 2 German Units

FRANKFURT — Metallgesellschaft said Wednesday that it has agreed to sell 50 percent of its Ruh-Zink subsidiary to MIM Holdings, the Australian mining concern. MIM will also buy 33.3 percent of Rheinzink, which is two-thirds owned by Metallgesellschaft's Vereinigte Deutsche Metallwerke subsidiary and one-third owned by Grillo Werke.

As part of a cooperation plan, MIM will provide Metallgesellschaft with 60,000 metric tons of zinc concentrates per year, a figure that will rise to 100,000 tons a year in 1985. Metallgesellschaft said the Ruh-Zink plant has been affected by the structural crisis depressing the European zinc industry and an agreement to secure zinc concentrate supplies was essential.

A Metallgesellschaft spokesman declined to comment on the price being paid by MIM, but industry sources placed it at less than \$30 million. Ruh-Zink has a nominal capital of 37 million Deutsche marks (\$14.5 million), while Rheinzink has nominal capital of 12 million DM.

Compiled From Agency Dispatches

American Can Renault and Peugeot Undeterred by Losses

(Continued from Page 13)
liers of gasoline per 100 kilometers (the equivalent of about 80 miles a gallon).

Responding to questions, Mr. Hanon said he was in favor of the government's price-wage freeze and its austerity program in general. He said that, although the program was proving painful for French companies, it was essential in combating inflation — a goal he said he shared.

Commenting on the U.S. market, Mr. Hanon said he believed that Renault and American Motor Corp. would reach their goal of selling 100,000 of their jointly manufactured Alliance cars. That goal will be gradually increased to 400,000 cars.

American Can said its convertible preferred would be issued in the ratio of one share per two PennCorp common shares and would have a stated value of \$27.50 a share, as well as a cumulative dividend of 75 cents quarterly.

The shares would be convertible into American Can common stock in a ratio equal to \$27.50 divided by the average market price of American Can common during a period that has not yet been determined.

Rate Not Yet Set

The nonconvertible preferred, on which the dividend rate has not yet been set, would be issued in the ratio of \$13.75 in stated value for each share of PennCorp common and would have a stated value of \$100 a share.

American Can said the transaction is intended to be tax-free to PennCorp shareholders who exchange their shares for preferred stock.

It said holders of up to 36 percent of PennCorp's shares would receive for each share \$13.75 in principal amount of 10-year senior notes or five-year installment notes, issued in \$1,000 multiples. The notes would be issued in minimum principal amounts of \$10,000 and would be non-negotiable. The interest rates will be set later.

American Can said it paid \$3 million to purchase an option to buy a warrant to purchase \$4.8 million PennCorp shares, or 20 percent of those that would be outstanding after exercise, from American Financial Corp.

Fed Ties Strings to Citicorp Takeover

By Robert A. Bennett
New York Times Service

NEW YORK — The Federal Reserve Board, in opening the California savings and loan market to New York-based Citicorp, has justified the move on the view that it would benefit competition in a period of weakness among the nation's thrift institutions.

The action Tuesday allowed Citicorp of New York, the parent company of the second largest U.S. bank to acquire the Fidelity Savings and Loan Association of California. Immediately after receiving approval, Citicorp signed the necessary papers to complete the acquisition. For the first time, a New York bank will be able to collect consumer deposits in California.

The action culminated years of intense lobbying efforts by Citicorp to get a toehold in California's lush deposit market. In con-

trast to New York, where the banking industry has been growing slower than in most other states, California's banking market has been booming.

For that reason, many New York banks — especially Citicorp — have been trying to get into the California market. But they have been stymied by federal laws that prohibit banks from accepting domestic deposits outside their own states.

Only because Fidelity had failed did the federal authorities allow it to be taken over by Citicorp. The ailing Fidelity was closed by the California authorities last April 13. Since then, Fidelity was run as a receiver of the Federal Savings and Loan Insurance Corp.

The acquisition was permitted in the face of bitter opposition from many California banks and savings institutions.

Fidelity, with \$2.9 billion in as-

sets, has 80 deposit-taking branches throughout the state.

Approval from the Federal Reserve was the last step in Citicorp's campaign. Earlier, it had gained approval from the FSLIC, which insures deposits in savings and loan associations, and from the Federal Home Loan Bank Board, which regulates savings and loan associations.

Citicorp won approval because, in bidding for Fidelity against California institutions, it asked for less financial support from the FSLIC than other bidders did.

The FSLIC estimated that its cost of rescuing Fidelity's depositors would be \$143 million less under the Citicorp offer than it would have been accepted. Even so, the agency expects its cost to be \$165 million over 12 years if interest rates remain at high levels.

In addition, Citicorp agreed to

invest about \$80 million of capital in Fidelity to keep its net worth equivalent to at least 3 percent of its total liabilities.

In approving Citicorp's application, however, the Federal Reserve set conditions intended to assure that Fidelity would continue to operate as if it were a locally owned California institution.

In its letter of approval, the Federal Reserve listed seven conditions to restrict what Citicorp could do with Fidelity.

Fidelity's primary purpose, for example, will still have to be to provide residential housing credit. The Fed also said Citicorp must divest itself of certain of Fidelity's real estate development activities in which bank holding companies are not allowed to engage.

In addition, although the Federal Home Loan Bank Board has allowed savings and loan associations to operate across state lines, the Federal Reserve has barred Fidelity from such activity.

The Federal Reserve also directed Citicorp not to link any of Fidelity's functions with those of any other Citicorp subsidiaries.

Responding to the Federal Reserve's decision, Linda Tsao Yang, California's commissioner of savings and loans, reiterated her opposition to the Citicorp acquisition. She said in an interview that Congress had made clear its preference for intrastate mergers and that the recent drop in interest rates had made it more likely that a California thrift institution could operate Fidelity successfully.

American Airlines Agrees to Lease 20 Jets From McDonnell Douglas

Compiled by Our Staff From Dispatches

NEW YORK — In an unusual transaction, American Airlines has agreed to lease 20 twin-jet Super 80 aircraft beginning in May. Financial details of the accord with McDonnell Douglas and United Technologies were not disclosed, but American said the agreement called for it to share its profits with McDonnell if results achieved by the planes were better than expected.

American said in Dallas that, under the agreement, it could return some or all of the planes after

five years without penalty, or at any time on payment of a cancellation charge. It said the agreement includes an option under which it may extend the agreement for an additional 13 years. American also has an option to buy the planes.

Donald J. Carty, American's controller, said the airline worked out the leasing arrangement because "we have not been in the position to make a longer-term commitment we would have liked to." Analysis called the arrangement unprecedented.

The fuel-efficient, 140-passenger

planes, which have a maximum range of 2,000 miles (3,200 kilometers), will carry JT8D-217A engines made by United Technologies' Pratt & Whitney division.

Jets Without Loans

Analysts noted that, for America — which, though it is expected to be moderately profitable in 1982, is suffering along with the rest of the airline industry from a slump in traffic — the deal provides the use of fuel-efficient jets without the need for costly loans.

The benefits to McDonnell Douglas are essentially twofold, analysts said. In addition to keeping layoffs down and plants operating at higher levels, the deal will permit McDonnell to maintain a competitive edge over aircraft-makers developing planes of a similar size. Boeing, for instance, is developing a 737-300 aircraft aimed at the same market as the Super 80.

Most of the planes are flown by smaller regional airlines, which tend to be in a better position to buy new equipment. Major trunk carriers generally have not been able to purchase the Super 80 or any other new aircraft.

American was said to have been looking for a plane that it could operate efficiently on short-haul routes into Dallas, which it made its headquarters a few years ago. The airline had reportedly decided to continue using the older, less efficient Boeing 727-100 before the McDonnell deal was arranged.

In addition, this week the government centralized the foreign reserves of all state agencies except the Venezuelan Investment Fund into a pool totaling about \$15 billion. The investment fund's external deposits are about \$2 billion.

The public external debt of the Venezuelan state amounts to \$18 billion and therefore the Venezuelan state has deposits abroad that are equal to one dollar for every one dollar of its external debt," a government statement said.

Mr. Ugues said Venezuela has felt the pinch of a curtailment of lending by medium-sized U.S. banks and by European banks including some major ones. Many

banks have been unwilling to renew one-year credits to Venezuelan agencies as they fall due, he said. In three cases totaling about \$300 million, banks have already been repaid in full, he said.

Elaborating on recent measures

taken by the government to restore confidence in Venezuela, he said the country's gold reserves were revalued last week to \$300 an ounce from \$42.22, adding about \$3 billion to foreign reserves.

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The public external debt of the Venezuelan state amounts to \$18 billion and therefore the Venezuelan state has deposits abroad that are equal to one dollar for every one dollar of its external debt," a government statement said.

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Wednesday's AMEX Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

	Open	Prev	High	Low	Stock Div.	Yld.	P/E	Stk.	Nom.	Open	Prev	High	Low	Stock Div.	Yld.	P/E	Stk.	Nom.	Open	Prev	High	Low	Stock Div.	Yld.	P/E	Stk.	Nom.
(Continued from Page 16)																											
2521 1250 AMCO DO	22.7	22.5	22.8	22.4	0.00	100	100	100	100	22.7	22.5	22.8	22.4	0.00	100	100	100	100	22.7	22.5	22.8	22.4	0.00	100	100	100	
2522 1251 AMCO M	22.2	22.1	22.4	22.0	0.00	100	100	100	100	22.2	22.1	22.4	22.0	0.00	100	100	100	100	22.2	22.1	22.4	22.0	0.00	100	100	100	
2523 1252 AMOCO	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2524 1253 AMOCO P	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2525 1254 AMOCO R	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2526 1255 AMOCO S	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2527 1256 AMOCO T	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2528 1257 AMOCO U	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2529 1258 AMOCO V	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2530 1259 AMOCO W	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2531 1260 AMOCO X	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2532 1261 AMOCO Y	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2533 1262 AMOCO Z	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2534 1263 AMOCO A	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2535 1264 AMOCO B	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2536 1265 AMOCO C	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2537 1266 AMOCO D	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2538 1267 AMOCO E	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2539 1268 AMOCO F	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2540 1269 AMOCO G	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2541 1270 AMOCO H	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2542 1271 AMOCO I	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2543 1272 AMOCO J	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2544 1273 AMOCO K	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2545 1274 AMOCO L	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2546 1275 AMOCO M	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2547 1276 AMOCO N	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	
2548 1277 AMOCO O	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0	21.9	22.3	21.8	0.00	100	100	100	100	22.0</td								

SPORTS

Unionized Sport and a Dry-Eyed Public

By Peter Alfaro

New York Times Service

NEW YORK — Dick Moss recalled the time a friend persuaded him to attend a concert given by Liberace. The pianist was customarily dressed in a shimmering sequin suit and enough glittering jewelry to fill a display window at Tiffany's. But that wasn't the only manner in which Liberace flaunted his wealth. Moss said the entertainer spent more than half the performance talking about it, too.

What intrigued Moss even more was how the audience apparently enjoyed listening to his discourse on opulence. "Here he is, telling a midwestern, blue-collar audience how much money he makes — and they're applauding. I couldn't believe it."

Such aplomb does not appear to extend to athletes, who are entertainers too, and who the public knows are making big money, too.

Moss is an attorney who represents professional athletes. He also served as Marvin Miller's assistant in the Major League Baseball Players Association. When Miller was named as the full-time union leader in 1966, relations between the players and owners still were based on the reserve system. That system enabled the owners to control players' careers indefinitely. The system amounted to servitude.

"These players were not people," Miller said. "They were property. The owners would tell them when to play, where and for how much. The owners told them when they would be terminated."

Resisted and Frowned On

Yet despite the fact that unions had become a part of the American way of life decades earlier, the union movement in professional sports has been resisted by owners and largely frowned upon by the public. A good example is the current National Football League strike, which has been met by fan disapproval.

What people, including fans and legislators, seem reluctant to accept is that sports a multimillion-dollar business. Baseball still enjoys an exemption from the antitrust laws. The National Football League is currently seeking such exemption from Congress as well, despite the fact that a new television contract guarantees each of the 28 franchises \$14 million annually. That is one reason the NFL players are on strike for the second time in eight years. They want a bigger slice of the wealth.

"I've never been able to figure out why fans side with the owners," said Alvin Page, formerly an all-pro defensive lineman for the Minnesota Vikings and now an attorney and consultant to the NFL Players Association. "I suppose fans identify more with the players, and if they can't get more money in their jobs why should they?"

"Sure, players have a glamorous life and make a whole lot more. Sure, it's insane and there's no rational relationship to anything else for all this money that comes in. But we're not talking about whether it's right or wrong. It's there, and why should 28 owners keep most of it?"

So the role of the players association should be like that of any labor organization. The association should represent the players in discussions of wages, hours and conditions of employment. A player is an employee trying to make a living, too.

But people think of athletes as men at play who are fortunate enough to be paid handsomely for it. Owners are portrayed as sportsmen dabbling in a hobby. In 1922, Justice Oliver Wendell Holmes wrote the unanimous Supreme Court decision that upheld baseball's antitrust exemption. He agreed with a lower court ruling that stated in part: "They are still sport, not trade."

As recently as 1972, Curt Flood, who had been an outstanding outfielder for the St. Louis Cardinals, lost when he challenged the antitrust exemption in court. Flood's suit was prompted when he objected to being traded to the Philadelphia Phillies.

"The decision in 1972 put owners above the law," said NFLPA President Ed Garvey. "It put the owners in a position to get rid of a player who talked about a union. If someone was out of line, you fired him."

Baseball, Miller said — and this also applies to the other professional sports — was considered a group of small businesses, mom-and-pop stores. As big as baseball has become, these were individual teams and people tended not to concentrate on the small-business aspect," he said.

"We think of unions in this country as gigantic industries, but most unions have only between 50 and 100 people. So the thinking in baseball tended to be old-fashioned. To the owners, the players were 'my boys.' He knew how to treat them and didn't want anyone to interfere."

Robin Roberts, a pitcher now in the Hall of Fame who was in the forefront of the union movement in the 1950s, said: "But when we hired Marvin, it was just to have someone other than an active player overseeing our pension fund. We had previously discussed the reserve clause with the owners but it never got anywhere."

"The owners made a mistake. Society had become more liberal. They should have adjusted the reserve clause without Marvin. But I guess I have to think these problems can be resolved without strikes. I just can't believe sports organizations are doing it."

Major Gains

Moss' union background and leadership qualities enabled the baseball players to make major gains in benefits and salary. In 1970, the owners agreed to an impartial arbitration board to hear player-owner disputes. In 1972, players struck during spring training for a better pension plan and accomplished their goal.

In 1975, Andy Messersmith of the Los Angeles Dodgers and Dave McNally of the Montreal Expos challenged the reserve clause when they concluded that they had become free agents after their contracts expired. Peter Seitz, an arbitrator, ruled in their favor. Messersmith subsequently signed a lucrative contract with the Atlanta Braves; McNally retired before the decision.

The collective-bargaining agreement signed in 1976 modified the reserve system, as did a 50-day strike last year.

The National Basketball Association Players Association made its breakthrough in 1976. Rather than face the prospect of losing the Oscar Robertson lawsuit in court — a suit challenging the NBA draft and reserve system — the owners agreed to the most liberal free-agent policy in any sport at that time.

The pro-football labor movement has apparently had the least amount of success among the major professional leagues. A pre-season strike in 1974 was largely viewed as a failure despite the fact the players won the right to become free agents. But with the compensation of the so-called Rozelle Rule involving high draft picks for the free agent's former team, there is more dissent among the rank and file in any other sport.

Also, unlike baseball and basketball, the high-salaried stars in football are not strongly supportive of the union movement. "Ed Garvey never appreciated the union's political clout," Moss said. "A union can appeal to everyone, but he wrote off the stars. Thus, he eliminated the leadership. It's the stars who provide that element."

NFL owners also seem to work together more than their counterparts in the other sports. Gate revenues and television money for the regular season are shared equally, whether a team finishes first or last. The players association contends that eliminates the incentive to win and to bid competitively for free agents.

When Vince Ferragamo, a highly regarded quarterback, played out his option with the Los Angeles Rams after the 1980 season, no NFL team offered him services. Ferragamo spent a year playing in Canada before rejoining the Rams this season. When the American Football League became a viable alternative and began raiding the NFL's some of its big-name players in the early 1960s, the older league wisely agreed to the merger it had initially resisted.

Still, Wellington Mara and the Rooney family, two longtime NFL owners, say they think a union is necessary. "My grandfather was in the Homestead Steel strike," said Dan Rooney, whose father, Art, is the patriarch of the Pittsburgh Steelers. "I think unions are great and there is a need for them even though, sometimes, poor leadership leads them over the deep end."

I know that in 1955, when the players came to my father and asked whether they should join the union, he said that if the union could negotiate a pension for them, then they should join. I think we've always had a good relationship with our players. We treat them as people."

Mara, a member of the NFL Management Council with Dan Rooney during the 1974 negotiations and strike, also supports the union concept. "I think I'm pro-union," he said. "At this stage in our league history, we need it. It gives us and the players a chance to discuss things instead of winding up in court."

What They Wanted

What the NFL players wanted was the freedom to sign with a team of their choice once they fulfilled the obligations of their existing contract. But because free agency has not given the players the leverage that Garvey envisioned, he decided to approach these latest negotiations with a demand that the players become partners with the owners.

He said they should receive 55 percent of the profits, a demand many players thought was unreasonable and one flatly rejected by the owners. The players union changed that demand on the eve of the strike and are now asking 50 percent of the television money.

One former player representative, who requested anonymity, added that the union should not be bargaining for long-term contracts anyway. Because a player's career expectancy is only 4½ years, most are no longer active when a new collective bargaining agreement is being negotiated, he reasoned. Thus, Garvey is constantly in a position of trying to unite young, impressionable players, instead of hardened veterans.

Moss said that because the pro football player is the most sheltered of all professional athletes, he is naive about his rights as a union member. In major league baseball, most players have been through the mill as employees," Moss said. "Most were drafted out of high school or after a year or two of college. They played under substandard conditions in the minor leagues. They rode buses, got moved around, had no minimum salaries or security. They lived in the real world and it was an enlightening and educational experience."

The football player was the big man on campus. Then he comes to the pros and the coach is a god. It isn't until after his career that he pays his dues, when he faces permanent injury and realizes he was the lowest-paid athlete. Then he realizes he's been a fool."

"For ball players five prima donnas," said the former player rep, who was an all-pro during his career. "And they are conditioned differently to the realities of their surroundings."

aside their own interests for the benefit of the team. That isn't the case in baseball or even as much in basketball. Individualism is taken out of football. The individuals are weed out. When you are always thinking in terms of the team, it's hard to think of your own interests."

What all sports unions have provided, however, is legal counsel and support for player grievances. That has given such players as Dick Butkus, the former Chicago Bear linebacker whose knees required surgery even after he retired, the incentive to sue their teams for malpractice. Bill Walton sued the NBA's Portland Trail Blazers, saying he thought the team physician was concealing the severity of Walton's foot injury.

The system of impartial arbitration in matters such as these has changed the discipline methods of teams," said Larry Fleischer, counsel for the NBA Players Association. "Before, we were not getting any justice from the commissioners."

Less Than a Man . . .

"We have a workers-compensation lawyers in every city now," Garvey said. "They keep us up on the laws and we provide the information to the players. So more players are filing for workers' compensation. Management always kept this information from them. Management made it seem a player was less than a man if he filed for compensation."

The high injury rate and short career expectancy are reasons, Garvey said, that the labor movement in the country understands why the players are on strike and why labor is supportive. This view does not seem to be substantiated by the fan reaction that greeted the strike.

Many fans seem to think the players already are making too much money. They do not perceive that a football player is an entertainer/athlete who should be able to try to command salaries close to those of movie stars and television personalities.

Although the country is in a recession and there is an unemployment rate of nearly 10 percent, pro football is thriving. So addition to the revenue generated by the television contracts, teams enjoyed record attendance for the first two weeks of the season. Football fans, it seems, are not affected by an economy in trouble. Or if they are, they still are giving season tickets top priority. Garvey said that was why the fan reaction must not deter the players.

"When the players met at midfield to shake hands, the fans booted as if to say, 'Get this settled.' " Garvey said. "It's the same as when there was a transit strike in New York. The guy who was riding a bicycle to work was not going to say, 'Gee, I hope they get a good contract.'

The players are concerned with what the fans think. It's important not to try to alienate them. But the baseball strike showed fans' displeasure is not long-lasting. This year, baseball attendance is way up."

"There are two groups of fans," Miller said. "The first type understands the economic battle between the employee and employer. The second group are the know-nothings. They are the hard-hat mentality who think these are lazy, spoiled bums playing a boy's game for a fabulously salary. And there are some who see what blacks in sports are making and they say, 'Look at me. Don't think it doesn't bother them.'

"So the fans are the customers and the players should have a certain concern. But should the fans' views affect the careers of players? Absolutely not. Just because they can't have their ballgame when they want doesn't mean we have to sell the players down the river."

There are players who think that the union movement in football can be broken if the current strike fails. But there are others who agree that sports unions are here to stay. If Garvey loses this battle, then another leader will emerge, perhaps one who has the labor background and expertise that Miller brought to baseball.



Terry Harper was mobbed by his Atlanta teammates after scoring in the third inning Tuesday in San Francisco. Moments be-

fore, Harper had cleared the bases with a double. The Braves' 8

3 victory put them atop the National League's Western Division

before, Harper had cleared the bases with a double. The Braves' 8

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